Daily Report

Latin America

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FBIS-LAT-95-115 *15 June 1995*

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Cuba

TV Reports U.S. Coast Guard's Return of 16 Refugees

FL1506020195 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 15 Jun 95

[From the "NTV" newscast]

[FBIS Translated Text] U.S. authorities returned 16 rafters to Havana today in accordance with the migration agreements between the two countries. The group includes five men from Havana, two from Matanzas, and nine from Las Tunas. As on two previous occasions, the U.S. Coast Guard cutter transporting the men landed at Cabanas Pier at about 1200. U.S. Interests Section officials boarded the vessel. The 16 citizens were then handed over to Cuban Coast Guard and Foreign Ministry authorities. All of these cases fall under the agreements signed by Cuba and the United States in May, which establish that anyone who tries to enter the United States illegally will be returned to Havana without any privileges of emigrating to the United States.

PRENSA LATINA Reports on New Version of Helms Bill

PA1306155895 Havana PRENSA LATINA in Spanish 0752 GMT 13 Jun 95

[By Julio A. Machin of PRENSA LATINA]

[FBIS Translated Text] [No dateline as received] Senator Jesse Helms is circulating a new version of his anti-Cuban bill in the U.S. Congress. The new draft ignores "suggestions" from his own government and defies the international community's opposition.

The new draft, to which PRENSA LATINA has gained access, upholds positions and introduces new elements that further tighten sanctions against Cuba for as long as the U.S. Government "does not certify it is satisfied with changes on the island."

Many local experts had believed the bill was going to be changed to reflect criticism voiced in May at a discussion in the U.S. House of Representatives.

On this occasion, important U.S. Government officials voiced concerns about the conflicts that many points of the bill would engender in terms of international law and U.S. relations with its allies.

To underscore the weight the sponsors of the new bill want the bill to have, the document says: "Nothing in NAFTA can override the prohibitions established in this law."

In response to the recent proposal by OAS Secretary General Cesar Gaviria to consider ending Cuba's suspension from the OAS, Helms includes an article that would put into law U.S. opposition to this initiative.

The previous draft had called for a series of sanctions against products made with Cuban sugar. Now, these restrictions have been expanded to cover all merchandise with "any kind of component" made in Cuba.

In order not to affect indemnity payments to U.S. enterprises whose property was nationalized in Cuba, the properties of Cuban- Americans naturalized after 1972 were excluded from the possible list of claims to be presented to the Cuban Government.

The new draft, however, has a section in which the blockade will not be lifted until Cubans who are U.S. citizens or who become U.S. citizens as of the date the bill is passed into law are either returned their property or receive compensation for it.

Vietnamese Union Official 'Condemns' Blockade to CTC

FL1406171395 Havana Radio Rebelde Network in Spanish 0900 GMT 14 Jun 95

[From the "Doing Radio" program]

[FBIS Translated Text] At the Cuban Workers Federation [CTC] headquarters and during a meeting with the CTC's national secretariat, Nguyen Van Tu, chairmen of the Vietnam General Federation of Labor Unions, stated that we are in Cuba to exchange information on the successes and failures of the union movement, during these times of great economic changes in our countries.

Pedro Ross Leal, secretary general of the CTC, informed the visitors on the preparations for the 17th CTC Congress and of the collateral events scheduled, such as the International Union Conference of Solidarity with Cuba. Ross highlighted that over 3,000 delegates will participate in the event, which is scheduled for mid 1996.

Vietnam's solidarity with Cuba was shown in the following statements made by Van Tu:

[Begin Van Tu recording, in Vietnamese with passage by passage translation into Spanish] No matter how powerful a country may be, it has no right to impose itself on another country. We were bombed and blockaded by the United States, therefore we are very aware of this criminal policy. We condemn the U.S. blockade against Cuba and we demand that it put an end to this blockade as soon as possible. [end recording]

Vietnam General Federation of Labor Unions' members donated $5,000 to the CTC, which will go towards the development of the CTC's agricultural program.

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Rosales Address at Maceo Ceremony

FL1406171895 Havana Radio Rebelde Network in Spanish 1328 GMT 14 Jun 95

[Address by Division General Ulises Rosales del Toro, Politburo member, at ceremony marking 150th anniversary of Antonio Maceo's birth in Antonio Maceo y Grajales Square, Santiago de Cuba — live]

[FBIS Translated Text] Comrade, second secretary of the Communist Party of Cuba [PCC] and minister of the Revolutionary Armed Forces [FAR], Army General Raul Castro Ruz; comrades; people of Santiago:

On this day, 150 years ago, Antonio Maceo y Grajales was born — the Cuban who put his indelible stamp on the most important political and military events of our wars of independence. Answering the bugle sounded in Yara, Maceo joined the freedom army as a soldier and rose step by step, by strokes of boldness, stoicism, and intelligence to the rank of Major General, the highest rank in the Mambi Army. Antonio Maceo was among those men who learn the arts of war in the very forge of the struggle for freedom. The difficult and complex conditions endured by the Cuban patriots in their struggle against Spanish colonialism demanded from the Mambi military leaders extraordinary creativity to resist and defeat a powerful army in technical and material resources and experience. In these adverse circumstances, Maceo distinguished himself from the beginning as one of the most capable and promising leaders. His extraordinary courage was complemented by a natural intelligence which he continued to develop with perseverance and dedication until he became the type of leader capable of understanding the character of the war being waged in Cuba's countryside and thus was able to act tactically to defeat the enemy army one step at a time.

He also has the historic merit of having developed, and introduced into Cuba's military sciences, essential principles which played a role in the last national war of liberation waged by the Rebel Army and which today are part of the integral design of national defense: The war of the entire people.

The Bronze Titan was among the first to supply his troops with resources jolted from the hands of the enemy. At a time when many leaders hoped for supplies from abroad, Maceo was attacking convoys, garrisons, mills, and fortified coffee plantations where he would find what he needed for the soldiers under his command. Another important contribution was taking the utmost advantage of terrain conditions. He introduced the method of constant scouting of the area of operations. Whenever his eyes contemplated the expanses of valleys and mountains, he was not seeking to delight his eyes in the unique beauty of the Cuban landscape, but was studying the enemy's most likely options in case it decided to penetrate the area. In this manner, he selected sites to set ambushes, deploy the infantry, hide and protect the cavalry, block the enemy retreat, and withdraw his troops at the required moment. For this reason, it is not possible to analyze the combats and fights headed by Maceo, without considering the preventive aspect of the operations. In this sense, one will always encounter the study, control, and advantageous use of the terrain as a preponderant factor for victory.

On the other hand, in other to fully understand his craftsmanship as a warrior, we have to keep in mind that in a struggle where the enemy has the material advantage, only by forming and developing revolutionary concepts such as those endorsed by him, is one able to enrich the moral virtues of one's men to the point of compensating and surpassing those of the enemy soldiers, thus attaining an ever increasing level of combat morale. This is an essential tool to success in combat and war, in general. Maceo was the forerunner in this endeavor, as demonstrated by his personal example; his sense of honor and military ethics; and the introduction of a revolutionary military discipline adapted to the specific conditions of his command; control and strictness at all levels; concern for the welfare of his troops; acknowledgment of the accomplishments of the best officers and soldiers; and fair, timely and exemplary punishment without marring the dignity of the individual; and above all, the constant activity of the troops in the creative endeavors of the camps or the battlefields.

Undoubtedly, Antonio Maceo was a persistent teacher and leader of his troops, and implemented these concepts at every level of his command. This is the reason why the tough gladiators who served under his command never found themselves pulled away by the damaging trends that thwarted the Yara Revolution.

These qualities and traits must be seen within the context of the family that shaped and developed them. Marcos Maceo and Mariana Grajales had a total of 19 children, including two girls and 17 boys: Marcos and Amparo Telles had six, Mariana and Justo Regueiferos had four, and Marcos and Mariana together had nine.

Marcos and all the sons served in the freedom army, while Mariana, her two daughters, and the wives of her sons went into the bush to serve in the camps and field hospitals. The moral seed that Marcos and Mariana planted did not take root in Antonio alone but in that entire battle squad which the vox populi justifiably called the heroic tribe. They fell one by one

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in combat or as a result of the war until only one son and one daughter remained. Among those who gave their lives: two major generals, one brigadier general, three lieutenant colonels, three captains, two lieutenants, two sergeants, and five soldiers.

The military history of General Antonio Maceo, who participated in over 800 battles and received 28 battle wounds, is so engrossing that many of his biographers or historians give in to the temptation to focus solely on his qualities in this regard. However, it is impossible to underestimate the fact that he was an eminently political military leader, who Marti accurately described as a man as strong of mind as of arm since he developed his qualities as an analyst of the national and international situation while nurturing his talent as a revolutionary leader. His humble origin, revolutionary views, and clear political vision allowed him to effortlessly stand away from movements opposed to independence, particularly the annexationist movement, and thus discover the true designs and dangers waylaying from the United States.

He wrote to Jose Dolores Pollo on 16 July 1896: We do not need intervention or foreign meddling. It would only hamper things. Cuba is winning its independence through the arms and hearts of its sons. It will soon be free, without anyone's help.

His views and beliefs were so strong that when faced with the possible U.S. annexation of Cuba, he said that that might be perhaps the only time he would fight on the side of the Spaniards. What a lesson for the annexationists and turncoats of today who in vain invoke our forefathers in their anti-Cuban campaign, concealing or negating their anti-imperialist views. Maceo forewarned us about U.S. designs at a time when many were losing faith in our own strength and saw in the help from the United States the only hope for victory.

Curtly and without delay he warned: I do not expect anything from the Americans either. We should place all hope in our own efforts. It is better to rise or fall without help than to acquire a debt of gratitude with such a powerful neighbor.

Our internationalist people do not forget Maceo's feelings toward other brotherly peoples today. Once Cuba becomes free, he said, I will ask the government to endorse the struggle for the freedom of Puerto Rico, for I would not like to relent the sword while this portion of America remains enslaved. However, the clearest proof of the development of his political wealth is found at the end of the 10 Years War, in his leadership of the Baragua history protest.

Against defeatism, lack of discipline, and anarchy and facing the consummated fact of the Zanjon Pact, General Antonio Maceo, as the genuine representative of the masses, rushed into action and saved from a mortal blow the flag, the cause, and the dignity and lifted the people's revolutionary spirit to its loftiest place. He is aware that the leadership of the freedom army and the government of the republic in arms has capitulated and that under such circumstances it was impossible to continue the war for the time being. However, he is also aware that peace cannot be accepted without independence and the abolition of slavery.

Maceo arrives to the Necessary War, organized and prepared by Jose Marti, with the aura which life and legend gives to great heroes and brilliant military leaders. However, he had yet to write the most brilliant page of Cuban military history — the east to west invasion, which departed from Mangos de Baragua in an historical allusion to the birth of the struggle and reached Mantua in westernmost Pinar del Rio.

He saw the opportunity to turn that old dream — which he shared with his mentor, Maximo Gomez, on so many occasions since the big war — into a reality as more than just one way to attain glory and wear the laurels of personal victory: For him it represented the strategic deployment of the freedom army to bring the struggle to the very economic emporiums which feed Spain's coffers and allowed it to sustain its last colonialist war in America. The invasion was the result of the development of the military doctrine of Gomez and Maceo. The responsibility for directing every march and operation of that incredible feat fell on them, the first serving as commander in chief and the second as deputy general. Reputed military analysts from the past and the present have described the invasion as the most significant military feat of the 19th Century. For the Cuban people, it also meant a lesson in tactics and strategy studied by leaders and officers of our armed forces and even Defense Council members at every level.

Commander in Chief Fidel Castro ordered an invasion toward the end of 1958 to fulfill the rebel army's strategic plan and to bring the war against tyranny to every corner of Cuba. Commander Camilo Cienfuegos, at the helm of Antonio Maceo Column No. 2, was instructed to reach Pinar del Rio; however, the war ended before that goal was met. Camilo said that deep in his heart he was happy about it because in this manner the glory of this feat would continue to belong to the bronze titan alone.

Historic coincidence would have it that today — 14 June — is also the birthday of unforgettable Commander

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Ernesto Che Guevara, the heroic warrior who together with Camilo reenacted Gomez' and Maceo's feat. This has become a symbol of Latin American patriotic unity: Gomez was Dominican, El Che was Argentine, Maceo and Camilo were Cubans. They represent the unity which the continent deeply needs today. They dared to dream and responded in turn to Bolivar's and Marti's ideas of American unity. To save Cuba from a climate of hostility, characterized by U.S. unipolarity and hegemony, is to help save Latin America. Cuba needs Latin America's solidarity, as Latin America needs Cuba's voice and firm and principled stand. Latin America needs to integrate to confront the chalienges which threaten the independence and sovereignty of its peoples.

To you, young officers graduating today, on behalf of the commander in chief and the FAR minister, we relay to you the warmest congratulations.

We tell you, as Mariana told her youngest son while attending to Antonio's serious wounds: Grow up! The fatherland needs you to defend the freedom for which the bronze titan gave his life!

We are convinced that you will always act with a fidelity to the fatherland as that of Panchito Gomez Toro in Punta Brava, when he chose death rather than abandon Antonio Maceo's dead body.

The advocates of Zanjon and the Plattistas are trying to make headway today. Just like Maceo, who kept alive the flame after Zanjon, the Cuban people will not let the torch of socialism weaken. Socialism to our people has been and will always be synonymous with social justice, independence, and dignity, our most precious achievements.

In these difficult times, when the blockade against Cuba and other aggressions tend to be strengthened with proposed bills such as the Helms-Burton bill, which through its virulent measures against the people would even astound the bloodthirsty [Spanish Governor General Valeriano] Weyler or the annexationist Orville Platt, all patriots and revolutionaries rise — as the bronze titan — to resist, fight, and win. If skepticism, defeatism, and the lack of faith in our triumph knock ever on our doors and the difficulties due to economic limitations, together with the enemy's diversionary ideas, try to erode our combative morale, we will look up to Maceo and we will find in him and in others like him the strength to withstand and to continue the struggle with renewed vigor.

Only in this manner will the titan remain atop his steed, holding his machete up high, leading his troops. Only then will he remain alive among us, with his vigilant eyes trained on the north so as to order, if it becomes necessary, in the voice of our commander in chief: Bugle, sound the call to arms! Millions of Cubans will then rise up to make his works a reality. Whoever tries to take over Cuba will only reap the dust of its soil drenched in blood if not killed in the fight!

Eternal Glory to the bronze titan and the unforgettable heroic warrior! [crowd shouts: Glory!]

Viva free Cuba! [crowd shouts: Viva!]

Viva Fidel! [crowd shouts: Viva!]

Socialism or death! Fatherland or death! [Crowd shouts: We will win!] [applause]

Castro, Robaina, Lage, Alarcon Receive China's Li Ruihuan

FL1406113795 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 14 Jun 95

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro, president of the Councils of State and of Ministers, attended the reception offered by Ricardo Alarcon, president of the National Assembly of the People's Government, in honor of Li Ruihuan, chairman of the National Committee of the Chinese People's Consultative Conference. The Cuban President held a lengthy and friendly conversation with the Chinese leader. Other party and government officials were also present at the ceremony including the Chinese ambassador to Cuba and the Cuban Ambassador to China.

Today, Li Ruihuan was declared Havana City's guest of honor. Conrado Martinez Corona, president of the People's Government Provincial Assembly in Havana City, highlighted the merits and achievements of the distinguished visitor and the historic ties that unite our peoples. The Chinese leader toured the Chinese neighborhood accompanied by Carlos Lage Davila, vice president of the Council of State, with whom he later met.

Earlier in the morning, Li Ruihuan visited the Institute of Genetic Engineering and Biotechnology and dialogued with Foreign Minister Roberto Robaina. The Chinese delegation also visited the (Morro-Cabana) historical complex.

Li Ruihuan stated that some of the visit's goals are to extend the existing relations of cooperation and encourage their development so that they are mutually beneficial.

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Castro Attends Reception in Honor of Li Ruihuan

FL1306172295 Havana Radio Progreso Network in Spanish 1100 GMT 13 Jun 95

[From the "First Thing" program]

[FBIS Translated Text] Commander in Chief Fidel Castro Ruz, president of the Councils of State and Ministers, last night attended a reception hosted by Ricardo Alarcon de Quesada in honor of Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference.

Minister Receives Chinese National Committee Chairman

PA1406163895 Havana Radio Havana Cuba in Spanish 0000 GMT 14 Jun 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] In Havana, Cuban Foreign Minister Roberto Robaina received a high-level Chinese delegation headed by Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference.

In statements to the media after meeting with the Cuban foreign minister, Li Ruihuan said the ties between his country and Cuba are excellent. The Chinese delegation arrived in the Cuban capital on 12 June, and members of the delegation visited the National Genetic Engineering and Biotechnology Center earlier today.

Li Ruihuan also plans to tour the Chinese neighborhood in the capital, where he will be declared guest of honor of the city.

Li Ruihuan's visit to Cuba is considered the most important visit by a Chinese leader since President Jiang Zemin visited the island in 1993.

The important Chinese leader and the delegation he is heading will also be received by Cuban Vice President Carlos Lage.

Vice President Lage Meets With Chinese Official Li Ruihuan

PA1406163595 Havana Radio Havana Cuba in Spanish 0100 GMT 14 Jun 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] In Havana, Cuban Vice President Carlos Lage met with Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference, who is making an official visit to the island.

Lage told the high-ranking Chinese official he was delighted to receive the delegation and said it has been extraordinarily important to have been able to count on the friendship, understanding, and cooperation of the people, party, and government of the People's Republic of China, the recent history of which is a source of experience for Cuba, Lage said.

On the second day of his official visit, upon the invitation of Ricardo Alarcon, chairman of the National Assembly of the People's Government, the high-ranking Chinese leader was declared guest of honor of Havana, visited the Chinese neighborhood in this capital, and toured the historical military complex of Morro Cabana, a former fortress used during colonial times located in the old section of Havana.

After being declared guest of honor, Li Ruihuan said he hoped the visit could serve to consolidate even more the excellent relations between Cuba and the People's Republic of China.

Moments earlier, Li Ruihuan had been received by Cuban Foreign Minister Roberto Robaina. The high-ranking Chinese leader will visit the resort city of Varadero on 14 June where he will learn about the development of tourism in the area.

Joint Resolution Addresses Self-Employment Activities

FL1506021195 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 15 Jun 95

[From the "NTV" newscast]

[FBIS Translated Text] Joint Resolution 4 of 1995, issued by the Labor and Social Security and Finances and Prices Ministries, goes into effect today. The resolution includes the following in its list of self-employment activities:

— Producer and retail vendor of nonalcoholic beverages. The person may sell his products in places where it is not expressly prohibited by the dispositions dictated by the corresponding administrative councils. Anyone engaged in this activity will be charged a monthly fee of 100 pesos in national currency.

— Producer and vendor of nonalcoholic beverages for home delivery. Anyone engaged in this activity will be charged a monthly fee of 200 pesos in national currency or 100 pesos in convertible currency.

— Producer and vendor of foods and beverages for distribution through eating establishments. This service may be offered in the individual's home with the use of tables and chairs for no more than 12 persons. Anyone engaged in this activity will be charged a monthly fee of 400 pesos in national currency or 300 in convertible currency.

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These activities may be performed by Cuban or foreign citizens who are permanent residents, who meet all established requirements established under the existing law, and who have the corresponding license. The document stipulates that the self-employed worker in these three cases can only be aided by family members and should not pay his employees. In all cases, the worker must justify, when required by authorities, the origin of the products used to perform the activity.

DOMINICA

UWP's Edison James Sworn In as Prime Minister

FL1406153395 Bridgetown CANA in English 1456 GMT 14 Jun 95

[By Reudon Eversley]

[FBIS Transcribed Text] Roseau, Dominica, June 14, CANA — Edison James, a 51-year-old British-trained agriculturalist, was sworn in Wednesday [14 June] as Dominica's fourth Prime Minister.

The simple ceremony, performed around 10:15 AM by President Crispin Sorhaindo, followed the release of official results confirming that James' United Workers Party [UWP] had narrowly won Monday's general election, with 11 of the 21 parliamentary seats.

Before James was sworn in, Dominica's leader for the past 15 years, Dame Eugenia Charles, visited the President to hand in her resignation as Prime Minister.

Seventy-six-year-old Dame Eugenia, who is retiring from political life, was not a candidate in the election, which her Dominica Freedom Party lost.

James was scheduled to meet with other officials of his UWP on Wednesday to discuss the allocation of ministries and other matters related to his new administration.

The new Cabinet is expected to be announced either late Wednesday or Thursday.

The official results released Tuesday night by the electoral office confirmed that the Dominica Freedom Party and the Dominica Labour Party had dead-heated on five seats each.

A breakdown of the overall results showed a 65 per cent voter turnout, down from 66 per cent in the 1990 election.

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Labor Secretariat Reports Decrease in Buying Power

PA1406002695 Mexico City EL FINANCIERO in Spanish 12 Jun 95 p 42

[Report by Ivan Sosa]

[FBIS Translated Text] The Secretariat of Labor and Social Welfare (STPS) reported that the average wage increased approximately 9.6 percent in the first five months of 1995.

During that same period, however, cumulative inflation increased 28.8 percent, resulting in a 19.2-percent drop in purchasing power between January and May.

Thus public university workers and federal employees have received emergency 8- and 12-percent wage increases in addition to the regular wage increase given at the end of the year.

According to the Mexican Association of Industrial Relations Executives [Asociacion Mexicana de Ejecutivos en Relaciones Industriales — AMERI], some businesses are granting wage increases of between 15 and 22 percent.

Any wage increase, including emergency increases, will be insufficient to compensate for the 42-percent inflation rate officially estimated for 1995.

STPS data show that 369 businesses employing 123,138 workers in the sectors of the economy registered as federal revised their collective contracts or wages in January. The average increase was 4.2 percent plus an average bonus of 2.7 percent.

In February, 143,210 workers from 588 businesses received a wage increase of 4.1 percent plus a 3 percent bonus. In March, 129,525 workers from 483 industries obtained a 7.5-percent increase and a 2.4-percent bonus.

During the first quarter (which is important because most companies, and the most important as well, revise their wages at that time) the average wage increase was 8 percent, but cumulative inflation increased to 14.54 percent between January and March so real buying power fell 6.54 percent during that period.

During the first five months of 1995, businesses registered in branches under federal jurisdiction granted average wage increases of 7.4 percent.

STPS balances indicate that in addition, in exchange for increasing and improving productivity, workers obtained an average bonus of 2.1 percent. As a whole, wages increased 9.6 percent between January and May, which was still below the 12-percent emergency minimum wage increase authorized on 30 March.

Between January and February alone, the National Consumer Price Index [Indice Nacional de Precios al Consumidor — INPC] rose to 8.2 percent. By March, it had jumped to 14.5; in April, 23.6; and by May it was already at 28.8 percent.

Between 1992 and 1994 a process was implemented whereby direct wage increases came increasingly closer to growing inflation and the gap between price increases and wages tended to decrease. The October 1993 pact attempted to revolutionize the wage system.

The reasoning was that with stability, direct salary increases would equal the INPC upsurge. Additionally, as a means of encouragement and as a mechanism to restore buying power, there would be a productivity bonus.

Thus, prior to the devaluation, official estimates for 1995 placed INPC growth at less than 5 percent. Consequently, the approved minimum wage increase was 5 percent. The approved 2-percent bonus was an attempt to begin by recovering 2 percent of buying power this year.

Nevertheless, the good wishes ended on 20 December 1994 with the resumption of the process whereby increased inflation always exceeds salary increases.

Contract and Wage Revisions Businesses Under Federal Jurisdiction

	Businesses	Wage Increase	Accumulated Inflation
January	369	6.9*	3.8*
February	588	7.1	8.2
March	483	9.9	14.5
April	280	13.0	23.6
May	273	11.1	28.8

* Percent data. Source: STPS

Nafin To Have $3.905 Billion To Restructure Credits

PA1406174995 Mexico City NOTIMEX in Spanish 2353 GMT 13 Jun 95

[FBIS Translated Text] Mexico City, 13 Jun (NOTIMEX) — It was reported here today that the National Finance Bank (Nafin) will have approximately $3.905 billion this year to restructure credits and support mini-, small-, and medium-size enterprises.

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Nafin reported in a communique that within the strategies of the framework of the National Development Plan, those resources will allow Mexican enterprises to overcome the current economic emergency and to resume their growth and consolidation in the medium term.

Nafin explained that slightly more than 8 million pesos (approximately $1.29 million) of the 24.215 billion pesos it will have available will be allocated to restructure the portfolios of nonbanking financial intermediaries.

The communique stated: Between June and December, Nafin will handle 21.956 billion pesos, approximately $3,541 [as received], as well as the equivalent of $480 million through (?banks), credit unions, and other intermediaries for enterprises that generate the U.S. currency.

The information stated that resources for the central region, which includes the states of Morelos, Guerrero, Michoacan, and Mexico, include approximately 3.153 billion pesos (approximately $508 million).

Meanwhile, 3.865 billion pesos (approximately $623 million) were allocated for Mexico City.

Nafin added that 4.258 billion pesos (approximately $686 million) will be allocated for the northeastern region, which includes the states of Durango, Tamaulipas, San Luis Potosi, Coahuila, Nuevo Leon, and the Lagunera territory.

The disbursement for the northwest region, which includes Baja California, Baja California Sur, Sinaloa, Sonorz, and Chihuahua, will be 4.966 billion pesos (approximately $801 million).

Furthermore, 3.507 billion pesos (approximately $565 million) will be assigned to the western region (Colima, Nayarit, Zacatecas, Jalisco, Aguascalientes, and Guanajuato).

The eastern region, which includes the states of Hidalgo, Oaxaca, Tlaxcala, Veracruz, and Puebla, will receive 2.467 billion pesos (approximately $398 million).

Also, 1.999 billion pesos (approximately $322 million) will be allocated to the Mexican southeast, which includes the states of Campeche, Chiapas, Quintana Roo, Tabasco, and Yucatan.

The communique stated this guarantees thousands of production units will continue to operate and protect an important number of work sources, and it will strengthen the participation [words indistinct] Federal Government.

Lastly, the communique emphasized this support is part of various plans Nafin has available for Mexican businessmen so they may restructure their financial obligations to overcome the current economic situation.

Group Proposes Electoral, Economic Plan

PA1506041995 Mexico City LA JORNADA in Spanish 13 Jun 95 p 7

[Article by Salvador Guerrero Chipres]

[FBIS Translated Text] In view of the "emergency generated by the moral, political, financial, and economic crisis," which the country is experiencing, the San Angel Group proposed 10 points for the electoral reform and submitted proposals for the drafting of an alternative economic plan.

Members of the group talked about their plans to meet with Finance and Public Credit Secretary Guillermo Ortiz Martinez and Government Minister Esteban Moctezuma, as well as with the leaders of the political parties represented in congress.

The proposals include prohibiting the use of the flag's colors or allowing parties other than the Institutional Revolutionary Party, PRI, to use it. The San Angel Group also suggests the possibility of annulling a candidacy "if the principle of equity is violated."

As for economic matters, the San Angel Group proposes tax incentives similar to the ones adopted by developed nations so that those wishing to purchase homes and those seeking loans to educate their children can survive. It also proposes incentives for Mexican businessmen "now in extinction, who are quite different from speculators and inefficient bankers, the only sector protected by this government," according to the former president of Concanaco [Confederation of National Chambers of Commerce], Francisco Cano Escalante.

Lawyer Nestor de Buen, during a full session of the Group, proposed the discussion and drafting of a proposal to modify the Federal Labor Law in such a way that it can promote the creation of new jobs without risking guarantees of job stability: "The only ones who like the way the current law was drafted are the corporate labor unions and the CTM [Confederation of Mexican Workers], which has not defended a single one of the thousands of unemployed persons."

In a meeting attended by 20 of its members, the San Angel Group came up with a definition of equity in matters of electoral competition and a definition of "equality," which citizen adviser Santiago Creel, who was in charge of reading the respective proposal, considered one of the most relevant definitions of the document.

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The relations between the state and the various political parties must respond to a "formula of equality," in matters of prerogatives, rights, and obligations. The state "must not grant privileges to any party in the distribution of public funds" or in the granting of state time in the electronic media, "because all political parties are of equal public interest."

In its "equity formula," the Group suggests that to lessen the inequalities stemming from the support and funds provided by private organizations, limits to contributions, whether it be in cash or in kind, as well as an overall limit on the expenses that a political party could incur during its campaign could be established.

The San Angel Group suggests that authorities would have the appropriate tools "to enforce" the equity principle.

The government would have full powers in matters of party financing to verify compliance with the limits on expenditures and contributions imposed on both the political parties as well as on supporters.

As for the electronic media, specifically in the coverage of political campaign news, "the electoral authorities and voters must have all the necessary instruments — monitoring, reproduction right, the right to pay for damages — to guarantee the fulfillment of the principle.

The provisions would be accompanied by sanctions, which would even include the annullment of a candidacy.

The electoral bodies would only be made up of citizen advisers with the right to have a say and to vote on the matter and representatives of the political parties only with the right to speak out.

The Legislative Branch, through the Chamber of Deputies, would appoint the advisers. The Legislative Branch, through the Audit Office of Congress, would oversee the use of public funds by the electoral authority.

The Group also proposes the decentralization of the electoral bodies, especially the General Council of the IFE [Federal Electoral Institute] in order to allow local councils to supervise and evaluate the election of independent and party senators, while district councils could do the same with independent deputies.

The San Angel Group insists on the need to revise the Criminal Code to define the classification of electoral crimes. Crimes having to do with the violation of the principles of equity in the campaign would be included. The apppointment of an electoral overseer would be a proposal made by the General Council to the Executive Branch.

The San Angel Group also proposes guarantees for the creation of coalitions, local and regional parties, and political associations to encourage "maximum flexibility" for the people's participation.

Mexican citizens abroad could exercise their voting right in another country. "The reform is necessary and urgent," the San Angel Group said.

The economic proposals include the regulation and supervision of the financial system, thereby getting the Bank of Mexico to have effective autonomy with regard to the Presidency of the Republic, as well as extended powers for the Audit Office of Congress.

Another suggestion is the creation of a "consultative economic council" to oversee the overall well-being of the economy, obtain detailed information about its evolution, supervise the fulfillment of commitments, and organize periodic meetings to modify goals.

The San Angel Group proposes a temporary program to promote investments and jobs, which will be established with funds equivalent to 1.5 percent of the GDP. There could also be a source of revenues of up to 8 percent of the GDP for the permanent training of the labor force.

As for fiscal reform, the San Angel Group supports a tax structure to eliminate distortions, in which the highest tax rates are applied on people earning mid-level and high incomes, and proposes the suspension of the 2-percent tax on assets. The Group suggests the implementation of mechanisms to avoid scaring foreign investors away, as well as a tax reduction for people with mortgages or who spend money on improving their education and that of their children, "as is done in developed nations," Gabriel Szkely said after reading the economic document on behalf of the Group.

The San Angel Group also proposes a basic industrial policy to promote exports and allow for the "selective and temporary protection" of certain economic sectors.

As for the foreign debt, the Group believes the conditions of the Mexican economy will make a renegotiation "unavoidable, to abstain from falling into an automatic moratorium."

Also attending the meeting were: Demetrio Sodi, Amalia Garcia, Jose Ernesto Costemalle, Ricardo Garcia Sainz, Lorenzo Meyer, and Julio Faesler.

General Denies Army Harassing Chiapas Communities

PA1406044395 Mexico City NOTIMEX in Spanish 2156 GMT 13 Jun 95

[FBIS Translated Text] San Cristobal de las Casas, 13 Jun (NOTIMEX) — The Mexican Army's movements

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in Chiapas have been agreed upon and accepted by the Zapatist National Liberation Army [EZLN], government adviser General Tomas Angeles Dahuahare said today.

Angeles Dahuahare denied reports of aggression by the soldiers against the Zapatist forces during this stage of the peace talks in San Andres Larrainzar, Chiapas State. He added that the Mexican Army's movements are related to supply activities on the ground and in the air — mainly by helicopter — and to replacement of soldiers who have been in the area eight months or longer.

During the third round of peace talks in San Andres Larrainzar, the delegates of the EZLN's Clandestine Revolutionary Committee reported that soldiers are harassing their communities and conducting night operations.

Gen. Angeles Dahuahare said: "Soldiers are likely to be encountered when people are moving about because of the poor roads. Nevertheless, they do not stop or bother the people, especially to question them. Such a procedure is forbidden."

He also said the soldiers stationed at a specific site "must protect themselves by scouting around, but only in a limited radius." In addition, he said, "it is not true that operations have been conducted at night." He concluded by saying that the Mexican Army "is highly disciplined and controlled."

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Guatemala

De Leon, Zedillo To Sign Joint Declaration

PA1406201195 Guatemala City SIGLO VEINTIUNO in Spanish 9 Jun 95 p 2

[Draft of a joint declaration to be signed by Guatemalan President Ramiro De Leon Carpio and Mexican President Ernesto Zedillo at the conclusion of Zedillo's official visit to Guatemala City on 9 June]

[FBIS Translated Text] A draft of the joint declaration that President Ramiro De Leon Carpio and his Mexican counterpart will sign upon the conclusion of his official visit to Guatemala was disclosed last night.

The document, which has been summarized here due to space limitations, covers the following points:

Point 1. The presidents have studied and evaluated the bilateral relations between the two countries, highlighting the successful completion of the 5th Binational Commission Meeting.

Point 2. They have agreed to continue promoting the Sustainable Development Plan for border communities.

Point 3. Regarding the border port city of Tecun Uman-Ciudad Hidalgo, they have agreed to encourage the conditions for the completion of this plan, within a medium time frame and under an overall border bridge and port concept.

Point 4. President Zedillo has expressed his hopes that the Guatemalan peace process will continue without any major drawbacks and that a peace agreement can be signed with the URNG [Guatemalan National Revolutionary Unity].

Point 5. They have agreed to formalize a bilateral liaison system between Mexican and Guatemalan border authorities, to be coordinated by the Foreign Ministries.

Point 6. To formalize a bilateral liaison system between Mexican and Guatemalan border authorities.

Point 7. They have expressed their commitment to the full exercise of political, economic, social, and cultural rights of their people.

Point 8. To seek progress in the negotiation of a Temporary Migrant Farm Worker Agreement.

Point 9. To support the objectives of the Fund for the Development of the Indian Peoples of Latin America and the Caribbean, which took place in Madrid in July of 1992.

Point 10. To promote the fulfillment of the 10 commitments of the political statement of the World Summit on Social Development, held in Copenhagen in 1995.

Point 11. President De Leon Carpio has expressed his complaisance for Mexico's cooperation in the repatriation of Guatemalan refugees.

Point 12. They have agreed to continue promoting ways to control drug trafficking, to prevent drug addiction, and to fight related crimes.

Point 13. To exercise greater control to prevent deforestation along the border.

Point 14. To install bilateral cooperation and consultation systems regarding issues of common interest.

Point 15. To consolidate the Association of Caribbean States, AEC, for regional integration.

Point 16. To promote the 2d meeting of the Presidents of Central America and Mexico (Tuxtla II).

Point 17. To support the principles and action plan adopted at the Summit of the Americas in Miami in 1994.

Point 18. To exchange views regarding the economic situation in the two countries.

Point 19: To sign the agreement to modify the IX Protocol of the Partial Trade Agreement.

Point 20. To press on with the free trade agreement negotiations, based on the Tuxtla Gutierrez accords.

Point 21. The two presidents have expressed their complaisance for the excellent state of bilateral relations.

Point 22. Guatemala has expressed its gratitude for Mexico's assistance in geothermal projects.

Point 23. They have agreed to promote the resumption of the electricity interconnection project.

Point 24. To Support the San Jose Project.

Point 25. To increase support for tourism, particularly the Mayan World Project.

Point 26. To build a highway between the Tenosique-Los Estrada highway in Mexico and El Ceibo and El Naranjo in Guatemala.

Point 27. To support technical and scientific support programs in the fields of health, energy, tourism, fishing, communications, and others.

Point 28. They have praised the progress in the joint programs for bilateral technical cooperation in the agricultural sector.

Point 29. They were pleased with the progress achieved in the areas of the environment, natural resources, and fishing.

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Point 30. Agreement for the exchange of experiences in the fight against poverty and in the development of other programs.

Point 31. Recognition of the cooperation of authorities in the health sector and support for decentralization programs and strengthening of health services.

Point 32. Strengthening cooperation in the area of housing and urban development.

Point 33. Work jointly in integration of methods to prevent, mitigate, deal with, and recover from disasters.

Point 34. They were pleased with the approval of the Binational Commission, because of its social impact and technical feasibility.

Point 35. Support for the program to strengthen and modernize the Municipal Development Institute.

Point 36. They were pleased with the signing of the agreements between Segeplan [General Secretariat for Economic Planning] and Sedesol [Social Development Secretariat] for border development.

- Cooperation for the peaceful use of nuclear energy between the Guatemalan Nuclear Energy Directorate, DGEN, and the Mexican National Nuclear Energy Institute, ININ.

Cooperation for training and development of a Total Quality Program between the Guatemalan Economy Ministry and the Mexican Commerce and Industrial Development Secretariat.

Technical-Operational agreement to combat illegal commerce of and recovery of cultural assets signed by the Guatemala Culture and Sports Ministry and the Mexican Public Education Secretariat.

Point 37. They were pleased with the signing of:

- Technical cooperation agreement between the CACIF [Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] and the National Foreign Trade Bank of Mexico to strengthen strategic alliances, joint investments, and increase trade.
- Cooperation agreement between the Guatemalan Chamber of Commerce and the National Bank of Mexico to support the exchange of information on the supply and demand of products of the two countries.

Point 38. They were pleased with the excellent level of bilateral relations and the signing of the agreement.

Rios Montt To Ask U.S. Permission To Name Attackers

PA1406120995 Guatemala City SIGLO VEINTIUNO in Spanish 13 Jun 95 p 5

[FBIS Translated Text] After reiterating that the attack carried out against him really happened, Congress President Efrain Rios Montt said yesterday that he will request permission from Washington to disclose the names of the corrupt military officers who tried to harm him.

The legislative leader again lost his temper before the press when a female radio reporter asked him if it is legal to be urging the people to rebel if he is not allowed to register as a presidential candidate.

He answered the question by accusing the reporter of being a public prosecutor or a lawyer for the other party. Showing that he was a bit angry, he pointed out that there is no problem with making the appeal inasmuch as he is asking he be allowed to register.

During the news conference, he referred to various subjects. He even said that the political group called DIA [Authentic Comprehensive Development] has ties with the Army and it is utilizing the funds allotted for children.

Prosecutor General Ramses Cuestas explained that so far he has been unable to contact Rios Montt to obtain a statement on the attack against him last week.

Concerning the possibility that this might be a self-staged attack — as some have said — the prosecutor general answered that for the time being, he has not found any evidence to this effect.

It is unknown to date who hurled the explosive device at the home of the congress president, and the affected parties have not informed the prosecutor general of any suspicions they may have.

De Leon on Rios Montt, Sheltering EZLN

PA1506031995 Mexico City LA JORNADA in Spanish 11 Jun 95 p 7

[Article by Elena Gallegos and Emilio Lomas]

[FBIS Translated Text] Guatemala City, 10 June — Guatemala will not do to Mexico what Mexico did to Guatemala. That is why "more Army troops" are present at the border, said President Ramiro de Leon Carpio. De Leon Carpio warned: "We will not allow the Zapatist National Liberation Army (EZLN) to enter Guatemala, to shelter itself here, to occupy our territory, to reinforce itself and renew its attacks, as has occurred with Guatemalan guerrillas on Mexican territory."

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De Leon Carpio flatly stated "with complete frankness," that Mexico allowed Guatemalan guerrillas to enter Mexican territory and make it a sanctuary, a place to resupply.

Then, De Leon Carpio assured us that he loves Mexico and does not want it to experience what Guatemala has experienced after 34 years of guerrilla warfare.

I do not want them to have to experience 34 years of war before they understand that in the end, people get fed up, stop supporting the war, and only want peace, De Leon Carpio said.

In his office in the presidential palace, in downtown Guatemala City, behind the National Palace, De Leon Carpio spoke with three Mexican reporters, whom he invited to have Jamaican tea on this overcast morning.

The time he allotted in his schedule for the interview was sufficient for De Leon Carpio to give a brief account of his country's recent history, to speak about events in Chiapas, the aspirations of General Efrain Rios Montt, the Bamaca case, the peace process, and coupist tendencies.

According to President De Leon Carpio: "Often it has been the civilians who have gone knocking on the doors of military headquarters to encourage coups." The president and the reporters first discussed the everyday talk of the town: the return of General Rios Montt.

De Leon Carpio was president of the constituent assembly, which 10 years ago wrote Guatemala's Constitution. It includes a provision that prohibits General Rios Montt from running for the presidency for having led a coup. Rios Montt, who is said to have violated human rights very often, now claims his human rights are being violated.

De Leon Carpio said: A way out for the general could be that he did not initiate the coup, but that he was called after the coup. However, the latter part of the article states: "nor those individuals who as a result of the coup assume the leadership of the government."

So, the general has no possibilities. De Leon Carpio himself says: "It a severe law, but it is the law..."

"I have the impression it is going to be annulled," De Leon Carpio predicted as he has been predicting for the last five years. The situation is being studied by the Supreme Court.

Could a Negative Decision Result in a Coup Attempt?

[LA JORNADA] It is true that there is some *ambiguity* regarding whether Rios Montt is going to run or not, but could that disturb law and order?

[De Leon] No. If there is something I can guarantee in Guatemala it is the stability of the institutions.

De Leon Carpio does not mince words. He gives lengthy explanations and broad responses to each issue and each question asked.

De Leon Carpio continues: Neither the army nor the security forces, nor the government, nor society, harbor the most remote idea of a coup. That is a thing of the past.

What is possible, De Leon Carpio admits, is that there could be protests, expressions of discontent, "he (General Rios Montt) has already said that. We must be careful so that law and order is not disturbed, that illegal acts are not committed."

If He Runs He Will Not Win

[LA JORNADA] To what do you attribute the Rios Montt's popularity, since he is associated with the dark *coupist* tradition?"

[De Leon] To violence. Insecurity is one of the serious problems we are facing and .. is believed that because of Rios Montt's character he can solve this problem.

People tend to forget the past.

President De Leon Carpio confirms that it is true that during the 18 months that Rios Montt governed Guatemala, in the beginning he managed to establish some law and order, but toward the end of his term, much violence erupted and the same occurred in politics.

Fatalistically, De Leon Carpio concludes: "But the people are the people, and, as the saying goes, every nation has the leader it deserves."

Do the people make mistakes, the reporters rejoin.

[De Leon] Of course the people make mistakes and...they may also be correct, but that is the current situation.

If Rios Montt is so popular, the reporters ask De Leon Carpio, would he win if he were allowed to run?

Myths crumble or are verified by reality. There is nothing greater than winning or losing an election. I do not believe that he will win if he runs for the presidency, De Leon Carpio says defiantly.

Someone informs him that the local media is present and waiting for him in the patio of the house, where he will give a news conference on President Zedillo's visit, which ended Friday afternoon. President De Leon Carpio spends more time on the interview.

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[De Leon] General Rios Montt is a charismatic leader because of his unusual behavior, his way of speaking. No one can deny he has electoral magnetism. His participation will attract a large number of voters, for and against him, but he will not win.

What Provoked the Changes You Made in the Army?

Every day, the Army's leadership is more convinced of its role in a democratic system. With a certain arrogance, De Leon Carpio says: Far from causing problems, the military has strengthened civilian power. It has supported my actions. It has supported me during my confrontations with the economic powers.

Are coups no longer exclusive to the Armed Forces? Didn't you come to power following a civilian coup?

[De Leon] I arrived under chaotic conditions. The country was bankrupt. The social situation was on the edge of convulsions. I did not have a party, a program, nor a team. I spent the longest, most troubled days of my life.

After reminiscing, and before responding to the question asked, De Leon Carpio mentions that, it is true, he has much popular support, "I should not be saying this, it is not self-idolatry, but I have a popularity rating that is way above any other candidate..."

De Leon Carpio interrupts himself. He seeks for a more forcible example. He delivers it: "My popularity is even greater than Rios Montt's popularity." Here, in the lower class neighborhoods or in the large manors of the rich, it is said that General Rios Montt, at least, is more well-known.

De Leon Carpio returns to the question: "No, the military has not necessarily always perpetrated the coups, it is the civilians who have gone to knock on the doors of the military headquarters."

De Leon Carpio specifically mentions the economic powers, when their interests are affected, when they become desperate. De Leon Carpio does not believe the conditions for a coup exist, such as the coup that toppled Jacobo Arbenz Guzman. "The United States and the CIA interrupted that democratic process." De Leon Carpio is glad the conditions for a repetition of that situation do not exist.

"The Army is preparing itself for peace and submission to civilian power," De Leon Carpio says, bringing this issue to a close.

[LA JORNADA] Have you reinforced your border? What contribution has the Guatemalan Army's military intelligence made to Mexico regarding the Zapatists?

[De Leon] There has been an exchange, a transfer of natural, logical information. However, there is no specific agreement for us to keep abreast of the pressure groups that have emerged in Chiapas.

[LA JORNADA] But do the established mechanisms work?

[De Leon] Of course, as they work between Mexico and the United States.

Here, De Leon points out that every modern state must have intelligence and information as a prerequisite for governing. Consequently, he has proposed the creation of a Secretariat of Civil Intelligence and a National Security Council, "which will not destroy or compete with military intelligence."

Has the Guatemalan Army really withdrawn to...?

This has to do with the *returnees* — De Leon explains — of allowing them to return, of seeking reconciliation and the reintegration of the displaced, which number approximately 1 million...

"With all of this movement," he adds, "it is necessary to preclude their coming into contact with garrisons, detachments, and military zones to prevent any friction."

Providing lengthy answers, De Leon went on: "I have given orders, and President Zedillo and I agreed on this yesterday, that the best way to defend the border area is by taking care of social needs and creating wealth and opportunity in the area." The Guatemalan president reiterated that the only way to prevent any type of socioeconomic conflicts is to provide social solutions for military or *warlike* problems.

At this point, he said that the moment the problems started — on 1 January 94 with the emergence of Zapatism — "I gave orders to strengthen our borders, as would any president who knew that in the neighboring country there was an insurgent outbreak by opposition groups."

The reporters listened to him in silence. He continued talking: "especially knowing that guerrilla groups from Mexico have entered Guatemala, which is where they renew their supplies. They exit and return. This has been their *modus operandi*. I ordered the strengthening of the border to defend national sovereignty."

[LA JORNADA] Does this mean that the Guatemalan guerrillas provide the Zapatists with war supplies?

[De Leon] No, no. What I am telling you is that I ordered the strengthening of the border. There can be no doubt about it; there are more Army troops in that area now. That is a fact.

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With this statement, De Leon asserts that weapons trafficking or the *transfer* of pressure groups to Guatemalan territory has been prevented.

It is a decision that I made — he explains — which contrasts with what Mexico did by allowing the Guatemalan guerrillas to enter its territory, to create a sanctuary there, a place to equip themselves, to strengthen themselves, to enter and exit; we did not allow the Zapatists to do that.

Only as refugees — De Leon makes a pledge of sorts — will Guatemala take in guerrillas. He repeated: I cannot conceive of the EZLN entering Guatemalan territory, receiving supplies, and then returning to Mexico to stage attacks, as happened with the Guatemalan guerrillas.

As if there were any doubts he concluded with: "We are, on the one hand, grateful to Mexico for the asylum it has granted 45,000 Guatemalans and for its support of the peace process; but on the other hand, we have pointed out that Mexico has sheltered guerrillas, although not legally.

[LA JORNADA] Did you discuss this with President Zedillo?

[De Leon] The Mexican Government knows that this situation is possible, although the guerrillas have already changed their behavior. It is a small group that attacks, that murders, but... In short, I did not bring this issue up with the president at our last meeting.

[LA JORNADA] Was Guatemala aware of the uprising in Chiapas?

[De Leon] We were aware of outbreaks, not only in the south but in other areas because of widespread poverty in Mexico, but we did not expect it to break out like this.

De Leon hopes the problem will be resolved through dialogue. He says that he loves Mexico very much because his family migrated to that country and its national anthem was the first one that he learned. That is why he regrets that the same thing that happened to the Guatemalan people may happen to the Mexicans.

They Thought Mexico Would Fall Alone

Since in response to each question De Leon provides such a broad framework, he also referred to the *Marxist* countries' strategy toward Latin America, a strategy developed over the past two decades. He said that Guatemala was placed in a particular spot because it made the serious mistake of supporting the Bay of Pigs affair, and the Cubans have kept a close watch on the country.

De Leon even mentioned that Jacobo Arbenz' surroundings had Communist overtones because the times lended themselves to this, and that therein lies the origin of the shadow, the phantom of Communism, which is still "in the box, and when they want to frighten people they open the box and take it out. This has its effects."

According to De Leon's version of the "Marxist strategy" for the region, Mexico was going to fall alone. While Marxist cells would be established in other nations, in Mexico — De Leon went on — they bet on extreme poverty and injustice as the detonators.

However, said De Leon, Mexico cannot fall. Your country has an enormous responsibility toward Latin American and the world. I said this to President Zedillo yesterday.

"Furthermore, Mexico is fortunate to have very powerful partners who will not allow that" (he seems delighted). For President De Leon, economic growth "with a social face" is the best antidote for political crises.

With regard to the Mexican president's visit, one of the events he praises the most was his speech at Congress. Yes, in front of General Rios Montt — with all that he represents — as its leader. De Leon said that the presidents are concerned about the strengthening of the region's fragile democracies.

Someone asks, what did you make of President Zedillo? To which De Leon responded that in his opinion, they seem very much alike "because we are modest and simple," which is why they get along so well.

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Argentina

Menem Views Patents Bill, Cavallo, Castro Invitation

PY1306222795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1431 GMT 13 Jun 95

[FBIS Translated Excerpt] Buenos Aires, 13 Jun (NA) — President Carlos Menem today emphasized that "before the end of the month" Congress will approve a new patents bill. He also confirmed his confidence in Economy Minister Domingo Cavallo.

Menem was annoyed over a headline in a Buenos Aires daily which states that last night the president "broke" congressional "resistance" toward the patents bill. Menem described the headline as "malicious" and "a huge lie" because a consensus was achieved between the two sides.

Menem said: "An agreement was achieved — as we said for a long time — which gives the Executive Branch, through an adjusted bill, the possibility of a law that conforms to the conclusions of the Uruguay Round."

In remarks to Radio America, Menem emphasized: "Resistance is broken when there is firm opposition, but when the law is achieved by consensus, there is no resistance to break."

Menem emphasized: "This meeting served for the congressmen and the ministers to work in a more united manner."

The president also emphasized that during a meeting at Government House last night, the congressmen also committed themselves to expedite the Bankruptcy Bill and the Labor Accidents Bill.

Concerning the patents bill, Menem said the adjusted bill will be approved "before the end of the month." He said it will "enhance investment possibilities, not just for national entrepreneurs, but for those from other parts of the world." [passage omitted]

With regard to Economy Minister Domingo Cavallo, Menem said "he still has" my confidence. Menem emphasized: "We will continue to work toward making Argentina much better off within four years."

Regarding an invitation to Cuban Commander Fidel Castro to attend the inauguration ceremony of his second presidential term on 8 July, Menem confirmed that, "as for the rest of the presidents," this invitation has been issued to him. Menem believes there is "a huge possibility" of Castro coming, but admitted that he still has not received any response.

Chilean Daily Interviews Economy Minister Cavallo

PY1306213695 Santiago EL MERCURIO in Spanish 25 May 95
Special Supplement "La Argentina," pp 1, 11

["Exclusive" interview with Argentine Economy Minister Domingo Cavallo by unidentified reporter; place and date not given — quotation marks as published]

[FBIS Translated Excerpt] [Passage omitted] [EL MERCURIO] Why do you insist that Chile should join Mercosur [Common Market of the South]? You have even suggested that Chile's possible incorporation into NAFTA — which comprises the United States, Canada, and Mexico — is secondary.

[Cavallo] I believe Mercosur members will be able to negotiate a much more successful entry into NAFTA if it is done as a group. I am playing down the importance of what Chile can obtain with its individual entry into NAFTA. Thus far I see NAFTA members are looking for some sort of award to give Chile for its long-term economic reform program that has really produced very good results."

"One must be pragmatic. If larger countries — like Brazil and Argentina — obtain better access to the U.S. market, it will be at the expense of greater access by the United States to a significant market like that of Mercosur. Members of this group believe it will be advantageous to negotiate as a group."

[EL MERCURIO] Do you still believe this even after considering Chile's economic importance and the so-called "cost of opportunity?"

[Cavallo] Chile and Mercosur members have a lot to gain by expanding free trade policies among themselves. When I say it would be good for Chile to join Mercosur I am not necessarily referring to Chile as a member of the customs union, but as a member of the free trade area we created before our customs union became a reality. Chile could very well become part of that free trade zone, even without fully adhering to the common external tariff. I believe negotiations between Mercosur and Chile point in that direction. [passage omitted]

[EL MERCURIO] Bilateral relations have, however, become somewhat strained because Argentina's adjustment policies penalize imports...

[Cavallo] A little; just 3 percent of the statistics rate.

[EL MERCURIO] But that influenced Argentina's trade with Chile because it inhibited Argentine imports and, thus, affected Chilean exports.

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[Cavallo] The problem started when the Mexican crisis began to affect our economies, particularly the Argentine economy.

[EL MERCURIO] Is the Tequila effect provoking a "Tango" rhythm?

[Cavallo] We had just lowered the statistic tax, which was a kind of surcharge tax, from 10 percent to zero. This had been previously scheduled. We had to face the severe impact of the Mexican crisis on our economy and were forced to reestablish the statistic tax at 3 percent, which raised Argentina's external tariff from 9 to 12 percent. Of course, it is not a uniform tariff as in Chile, but it does not present a great difference either. In practice tariffs go from zero to 23 percent, except in very few cases when we apply a tariff of 35 percent. This little adjustment does not mean the Argentine economy is closing down.

[EL MERCURIO] A small adjustment, but will it be temporary?

[Cavallo] Yes. Our intention is to definitively eliminate the statistic tax as soon as the flow of capital to Argentina returns to normal. We must remember that we went from receiving a lot of capital — during 1991, 1992, 1993, and even 1994 — to a sudden flight of capital during the first months of 1995. Our economy shows it has great flexibility, but it was prudent to avoid issuing a signal contrary to the adjustment we needed in our commercial accounts. Dropping the statistics tax from 10 to 0 percent as of 1 January went against our needs. The adjustment raising the statistic tax again to 3 percent was a prudent measure to avoid changes in relative prices contrary to the new financial reality. [passage omitted]

Political Effects on Economy Viewed

PY1306233395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1908 GMT 7 Jun 95

[Special report for NOTICIAS ARGENTINAS by Luis Torres]

[FBIS Translated Excerpt] Buenos Aires, 7 Jun (NA) — Economics, rather than politics, dominate the work and time of the government, businessmen, and workers. [Economy Minister] Domingo Cavallo ventured to utter the word "recession," and thus triggered a quick decline in Stock Exchange prices and sent shivers down the spines of those who see their sales ceaselessly drop.

The use of this fateful word to describe a plan labelled as "expansionist" was the result of a flood of negative data about the progress of the economy, which — whether the economy minister likes it or not — does not only respond to political causes.

The awkward predicament in which Cavallo finds himself trapped began with a capital flight to the tune of 8 billion pesos, which left banks on the brink of bankruptcy, caused the rupture of the chain of payments, and wiped out credit.

Economists reason that "without credit, sales automatically plunge, and tax collection dwindles."

Fiscal targets are, therefore, not being met. This, in turn, jeopardizes the payment of civil servant salaries, the mid-year bonus, pensions, and finally the commitments agreed upon with the IMF and the contracts signed on the external debt.

In the worst scenario, one could see Argentina lurching toward a highly unstable situation in which the economic team and Cavallo's heads would roll, and the impact on the public and on international markets would be devastating.

Given this imaginary scenario — which is nonetheless remains in the draw with other alternatives — the government is using measures like postponing the payment of salaries and advancing the collection of some taxes, like the personal assets tax.

Far from calming the markets, these decisions tend to generate a lack of confidence: Money does not return without assurances and an atmosphere of peace within the economic sector.

Menem and his economy minister hope that within the next 60 days the vaults of the banks will once again be filled which, in turn will reestablish credit; the mainstay of economic expansion.

Everyone knows that within the next two months the executive branch and the other two government branches will have to prove there are rules and that they must be respected; and that any unilateral and abrupt change will mean there are no rules. Is this not what happened to Brazil, which threatens to renounce an agreement on the importation of Argentine vehicles?

Is this not what happened between Congress and the executive branch over the Patents Law? — a procedure that no one would doubt is an assortment of baloney in view of the incoherent web of interests that prevent the approval of a clear and balanced norm.

If this is not enough to clearly establish the heart of the problem, then a look must be taken at public expenditure. This is where the spree begins and it is where the economy once again becomes entwined with politics.

Economy and Politics

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Data currently handled by economists indicates that between 1991 and 1995 the Argentine economy grew by nearly 35 percent, while inflation dropped dramatically to about 5 percent per year.

But, at the same time VAT increased from 13 to 21 percent, without taking into account the $20 billion or so that entered the Treasury due to privatizations.

Yet Argentine citizens today have a foreign debt that has risen from $60 to $80 billion; a floundering financial system; a fiscal deficit; and provinces like Cordoba, that cannot pay their salaries.

Then, the question is: If Argentina grew and tax revenue increased... where did the money go?

Apparently there is only one answer: In increased public expenditure, both at the national and provincial levels.

And this is where politics comes fully to the fore: Is it possible to demand that the provinces make adjustments, including the firing of employees, when several of them will soon hold elections for governor and deputies?

The day after Menem's electoral victory, Cavallo told the cabinet he would not send "even one peso" to the provinces, that he would ask them to return to the state all the advances they had received before the elections.

The governors, who were semi-paralyzed by Cavallo's words, formed a long line outside the offices of [Interior Minister Carlos] Corach and [Secretary general of the Presidency Eduardo] Bauza.

Both Radical [Radical Civic Union] [Cordoba Province Governor Eduardo] Angeloz and [Rio Negro province Governor Horacio] Massaccesi, and Peronist [Justicialist Party] [La Rioja Province Governor Bernabe] Arnaudo and [Entre Rios Province Governor Mario] Moine, just to cite a few, visited Government House seeking some form of financial oxygen.

Menem wants to win every game and this will surely influence Cavallo's plans. After that, there will be nearly two years in which there will be no elections and this will probably — only probably — bring about rapprochement in relations between the government's political and economic wings. [passage omitted]

Official on Rising Unemployment, Apprenticeship Program

PY1206202095 Buenos Aires BUENOS AIRES HERALD in English 10 Jun 95 p 2

[FBIS Transcribed Text] (NA/HERALD Staff) — Employment Under-Secretary Carlos Torres yesterday admitted that the number of jobless persons on the dole increased from 89,075 in October 1994 to 104,861 last month.

The 15,786 people who have lost their jobs during the seven-month period imply an increase of about 15 percent in the number of people who can prove they were once on a payroll and have applied for, and been granted, the one-year unemployment benefit.

Self-employed persons who are out of work and people who were employed "off the books" and then dismissed are not eligible for the dole, which in most cases amounts to a minimum salary.

Torres said that the government is about to launch an apprenticeship programme that will give minimum-wage jobs to 100,000 young people aged 14-25.

Employers participating in the programme will receive tax benefits for taking beneficiaries on for three months, as well as exemption from social security and accident insurance payments, which will be made by the government.

Recovery of Falklands Through Diplomacy Stressed

PY1306225895 Buenos Aires TELAM in Spanish 2308 GMT 9 Jun 95

[FBIS Translated Text] 10 Jun [date as received] (TELAM) — Argentina today reaffirmed its decision to recover its sovereignty over the Malvinas Islands through diplomatic channels and ratified its permanent willingness to evaluate understandings with the United Kingdom in order to consolidate peace in that region.

A communique states: "The countries of the region support without exception Argentine rights" over said archipelago.

The communique stresses: "The Argentine people and government today reiterate their firm and indeclinable decision to recover sovereignty over the Malvinas islands through diplomatic channels and in accordance with the principles of international law."

It recalls that the United Nations and the OAS "have asked Argentina and Great Britain to resume negotiations that will lead to a definitive solution to the controversy of sovereignty."

The communique was released within the framework of the 166th anniversary of the "Political and Military Region of the Malvinas islands and those Adjacent to Cape Horn in the Atlantic."

The communique states: "The government recalls Argentina's effective sovereignty over the southern maritime territories that was interrupted by force in 1833 through the British occupation and the expelling of the original authorities and population."

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Bolivia

State Reform Status Viewed

PY1406205595 La Paz LA RAZON in Spanish 29 May 95 pp A6, A7

[Article by Amparo Canedo G.]

[FBIS Translated Text] During the second half of August, the Bolivian Government will begin a total restructuring of the state through the National Governability Plan with the help of the Inter-American Development Bank (IDB) and the UNDP. The program will cost about $15 million and take four years to implement.

Vice President Hugo Cardenas is handling the final stage of the design of the program which in June will be examined in detail by technical committees of national and financial institutions.

Under the program the three government branches will be modernized, the political system will be strengthened, popular participation and decentralization will be promoted, labor laws will be simplified, and the Armed Forces institutions will be modernized.

LA RAZON discussed the subject with the vice president and with Henry Oporto, the national coordinator of this program, who said the general objective of the restructure is "to improve the quality of government and to strengthen and broaden democracy in Bolivia."

Consolidation of Democracy

Cardenas said: "To get a project like the National Governability Program started is an opportunity for Bolivia to consolidate its political democracy, to strengthen the state of law, to have modern institutions that work with greater efficiency and legitimacy and, thus, to obtain greater capability to deal with the daily needs of the population so as to implement economic and social development."

Vice President Cardenas pointed out that "structural reforms like capitalization, popular participation, the education reform, and others will find many obstacles if the functioning of government branches does not improve at all levels and if civilian society is not strengthened. For these reforms to really take place and to attain their objectives and goals, it is essential to also modernize the state and political system."

The Fourth Leg

The state modernization that will take place is considered by the vice president and the program coordinator as the fourth leg of the table of reforms that the Bolivian president is implementing. The other three legs are popular participation, educational reform, and capitalization.

Thanks to this fourth leg, which is also called the institutional and political reform, the state will not lag behind other changes that are taking place.

No More Patches or Isolated Adjustments

Although some adjustments and reforms are already being implemented — as in the case of the Executive Branch reform — Cardenas and Oporto said they were isolated reforms that in some cases were simply patches that did not attain a general and integrated scope which is the objective of this program.

Cardenas said: "Nowadays we observe everywhere a great enthusiasm over the renewal of our institutions. The problem is that such activity, if not accompanied by a general plan, can lead to actions that are often inconsistent and waste resources."

The vice president thus considers the virtue of this program is to orient and coordinate "these efforts within a general vision that will ensure that our efforts respond to priority problems and that we will be able to mediate in its results."

Appropriate Use of Resources

Beside raising the level of legitimacy, efficiency, and representativity of the political institutions, Oporto said another objective of the program is the quest for greater rationality in the use of economic and human resources so that what is being invested in the reforms — the funds that come from the TGN [National Treasury] — will be strictly controled.

He said: "We believe part of the resources invested in this project to strengthen the institutions are not always appropriately used. In many cases, actions were duplicated, results were not always verified, and there is no evaluation. This means our scarce resources are not being used rationally."

No Increase in Bureaucracy

Oporto said that once the IDB, UNDP, and Bolivian experts — together with institutions and other sectors — get involved in the final stage of the program, it will be executed by the corresponding ministries. Oporto said this will not generate more bureaucracy.

He said that to coordinate the work of the institutions, however, he is considering the creation of a coordinating board comprising representatives of the three government branches who will supervise and execute the programmed activities and follow them up.

Understanding and Resistance

Since great reforms often generate great resistance among sectors of society, the vice president said that

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before the government launches the program, many issues will have been agreed among the protagonists in the process: institutions, businessmen, workers, and the Armed Forces, among others.

Revolution in Congress

Three of the reforms the Legislative Branch will implement through the National Governability Program are: To renew the internal congressional rules; to strengthen the congressional committees, not just to give them greater and new functions, but to grant them technical and infrastructure means; and to strengthen the technical assistance systems.

Program coordinator Henry Oporto said the congressional rules of debate will be modernized. There is need for an organizational law and other rules.

The project also seeks to decentralize several functions and jurisdictions that are currently in the plenary and place them under responsibility of the committees, which will inevitably lead to the strengthening of their infrastructure.

Advisory

The committees and Congress in general will receive specialized technical advice and an information system that will facilitate all the elements of justice that are required to produce laws which in turn lead to the modernization of its library, which will house the archives.

An office of international relations and enhanced media mechanisms will link Congress with the several sectors of society.

Millennium Foundation To Suggest Executive Branch Adjustments

When the Executive Branch reform was greatly criticized, the administration decided to contract consultants from the Millennium Foundation to diagnose and suggest improvements to the execution of the Ministries law which will be ready in a month.

Although National Governability Program Coordinator Henry Oporto did not provide further details, he said an eventual total reform of the Ministries Law has been ruled out.

He said that although the state reform began with that law, "the process stagnated half way and this is why it is necessary to continue with the reorganization of the executive branch with other actions to complete the results already attained through the application of this law."

He added that other actions beside the Ministries Law will have to be carried out, among them "administrative rules and norms which must be updated or which simply do not exist at the moment." He said: "The role of several institutions must be redefined, especially of the decentralized institutions and their relation with the ministries."

Support for Participation

Oporto said the National Governability Program also seeks to technically and institutionally support popular participation and decentralization, seeking to enable the processes to successfully fulfill their objectives.

The idea is to provide technical and training assistance for the municipalities and the future department councils. He said: "Grassroots organizations [Organizaciones Territoriales de Base— OTB] require stronger structures, training, and education systems related to their rights and obligations."

The idea is that the decentralization and participation become complementary processes and "not controversial or incompatible."

Civil and Penal Code Reform

Although the Judicial Branch under the command of Justice Minister Rene Blattmann has already begun some reforms through the amendment of the Constitution to restructure the state — which will be launched by the government in August — other changes will be introduced, for example the modernization of the Penal, Civilian, and Procedural Codes.

National Governability Program Coordinator Oporto said these reforms, which are subject to the approval of laws, will be accompanied by others to strengthen and train the institutions in charge of the administration of justice. He said: "These institutions must be professionalized and they must be provided with appropriate material means."

Oporto also said that the success of the installation of a Constitutional Court, a Judicial Council, and Ombudsman, the reform of the codes, and the training of human resources, among other reforms, depend on "coordinated action by the three government branches."

'Obsolete' Labor Laws To Be Changed

Oporto said our current labor laws will be modernized: "They are obsolete and intricate because of a variety of legal resolutions, making the laws governing labor relations unmanageable."

The updating and streamlining of laws governing relations among workers, the private sector, and the state

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will be combined with the strengthening of institutions like the Labor Ministry that "will play a key role in our labor relations."

Troubleshooter

Oporto said: "The Labor Ministry is merely a troubleshooter that can only manage to resolve troubles but is completely unable to forestall conflicts or cooperate with entrepreneurial or trade union sectors, allowing them to develop their activities smoothly and relate each other more cooperatively and more calmly."

The modernization of the labor laws is an effort to overcome the conflictive period currently affecting labor relations in Bolivia and enter a new period.

Constitution To Be Reformed

The National Governability Program's fourth leg involves strengthening the political system through a constitutional reform and changes in the electoral system and in the political parties.

Oporto explained that the vice president's office deems essential the implementation of constitutional changes to complete the reform of the "political system established in the Constitution and introduce adjustments for the economic and social changes that were barely examined in the last constitutional reform."

Electoral System

Even though changes have been introduced in our electoral system, Oporto says other adjustments are still required to strengthen it and adjust it for reforms like popular participation, which raises territorial problems.

Oporto explained that the technical and administrative status of the Bolivian electoral system's organizations and administrative capabilities and equipment for electoral processes will be enhanced.

There are also plans for establishing a permanent program for the democratic training of the people, which "is an old goal for the National Electoral Court."

Political Parties

On this point, Oporto said the National Governability Program will make efforts to support the drafting of a Law on Political Parties, which would be complemented with other actions.

Modernization of Armed Forces Also Being Studied

The Armed Forces have also been included in the state modernization that the three branches of government will implement as of August. Nevertheless, efforts in this field have still not been totally established because appropriate consultations with the military institutions have still not been made.

Oporto said, however, that the National Governability Program's goal is to include military institutions in the state modernization process so that they will not "remain as a neglected pocket within the transformation process."

Subordination Is Not Enough

Oporto said: "It seems we all agree that achieving the military power's subordination to the civilian power is not enough. The Armed Forces now are experiencing an institutional crisis because their role and their duties are not clear. They have severe budget restraints and it is obvious that they do not seem to have a lawful enough space under a democratic system."

Changes

Changes would involve reforming the military training system and military service, especially with the goal of incorporating the military institutions into the education reform process, a task that the Armed Forces already have begun.

Foreign Ministry on Ties With Peru, Chile, U.S.

PY1406204195

[FBIS Editorial Report] Cochabamba LOS TIEMPOS in Spanish on 22 May publishes on page A7 a full-page report on a working breakfast held in La Paz by its reporters with Jaime Aparicio, the Foreign Ministry international relations secretary. The report consists of four articles in which Aparicio focuses on Bolivian relations with Chile, Peru, and the United States, as well as on the drug trade.

In its first 300-word article the newspaper focuses on relations with Chile. Upon emphasizing that Bolivia could play a leading role in linking Brazil, Argentina, and Paraguay to Peruvian and Chilean ports on the Pacific, Aparicio notes that "Chile and Bolivia ought to be able to resolve their daily problems in light of these prospects." Elaborating on what he means by daily problems, he says that he is alluding to import-export operations, Bolivian mining exports, the handling of wheat and soybeans, and storage problems in Chilean ports. He also says that the Port Enterprise of Chile, Emporchi, should no longer monopolize the Bolivian cargo, and that in order to balance Chilean-Bolivian trade, Bolivia has requested that Chile stop subsidizing some agricultural crops.

In a 500-word article Aparicio discusses Bolivian relations with Peru. He reports that construction work will

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start on 26 May in the Peruvian port of Ilo, namely in the duty-free areas for tourism and industrial activities granted by the Peruvian Government to Bolivia. He describes Bolivian relations with Peru as being highly favorable to Bolivia. He says: "The agreement on economic complementary action that we have signed with Peru is the most successful one." He adds that Bolivia and Peru "maintain very close political relations and are coordinating actions on many topics, especially on the drug trade, as well as on cultural issues. Besides, we are both members of the Rio Group."

In a 300-word article Aparicio emphasizes the Sanchez de Lozada administration's commitment to fighting the drug trade. He says: "We have signed a declaration to fight the drug trade aiming at the 21st century, and we trust that the Rio Group will play a leading role in treating this as a multilateral problem rather than one affecting only a few Andean countries." He adds that "the drug problem is not one that affects only Bolivia and the United States, but the entire hemisphere." He says that a "joint" effort must thus be made to this effect, and notes that Bolivia and other Andean countries, with U.S. support, are formulating "a comprehensive strategy against the drug trade."

In another 300-word article Aparicio focuses on Bolivian relations with the United States. He says that "the United States is no doubt the country that has given the greatest assistance in promoting Bolivia's development. Yet as a result of the various issues involving national strategy that we have to discuss with the United States, some topics of common interest have often become conflictive." He adds that the Bolivian administration is seeking "to clarify our bilateral relations on the basis of respect and through Bolivian compliance with some basic commitments." Aparicio says that relations with the United States "are of strategic significance to Bolivia, not only because it is one of the most developed countries in the world, but because it is the main source of financial and technical support."

Economy Minister Discusses Capitalization, Reforms

PY1506010095 La Paz LA RAZON in Spanish 23 May 95 p B4, B5

[Interview with Economic Development Minister Jaime Villalobos by Oscar Alarcon; place and date not given]

[FBIS Translated Text] [Alarcon] Why the delay over the reforms?

[Villalobos] Complex reforms like capitalization, popular participation, and educational reform are normally implemented one at a time within an authoritarian structure. Bolivia's great surprise is that these are being implemented within a government program in a democratic structure.

[Alarcon] Anyway, progress seems to be slow.

[Villalobos] We do not believe so. A lot is being done that the public does not see. This worries me because it seems as if nothing is being done.

[Alarcon] What is not being seen?

[Villalobos] There is general knowledge of the work being done, but the complexity of the work is not known. Too much attention is being paid to the schedule, worrying over dates (recapitalization schedule); sooner or later this government will definitely implement the reforms.

[Alarcon] Businessmen are saying that the delay is dangerous for the stability of the economy.

[Villalobos] It is very easy to say: "They are behind schedule." We are undertaking a very time-consuming task.

[Alarcon] Then that criticism is biased?

[Villalobos] No, the criticism is legitimate, but it comes at a difficult time. We are changing the country, we are making irreversible changes and it is natural that concern is being expressed. We ask businessmen to cooperate, to help with the changes instead of criticizing.

[Alarcon] Was too much promised and is it now being felt that it is not as easy as it looked. Is this true?

[Villalobos] No one said this was going to be easy, no one believed this was going to be "a piece of cake" ["chancaca"]. This is a most difficult time, a time of very great stress [given in English], but this government will definitely carry out its task and the people will perceive the benefits.

[Alarcon] Taking into account the adjustments that come with the changes, what are the government's goals?

[Villalobos] The government has realistic goals. To conclude the capitalization program, which means transferring enterprises to the private sector (to strategic partners and to Bolivians). The pension reform will also be implemented. There are concrete goals for educational reform because it is a continuous process that will continue to advance. Popular participation has been consolidated. Finally, sectorial structures that will emerge from the strategy for economic development, which includes recapitalization, will also be established.

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[Alarcon] April's inflation was not what had been estimated and the fiscal deficit has a tendency to increase. These two factors seem to show businessmen are right.

[Villalobos] Certain factors must be understood. Our inflation is based on only a few products and most of them are basic staples. Inflation in more developed countries is measured in a much more complex way.

The scarcity of sugar, a certain situation, had an impact on April's inflation. Other external factors must also be taken into account: The devaluation of the dollar and increased interest rates. Bolivia is moving within the delicate control of its finances and of its fiscal deficit. It is maintaining very strict limits that are supervised through agreements with the IMF. This facet includes inflationary pressure and structural reforms that have a cost.

[Alarcon] Some business sectors are observing signs of a recession. Do you agree?

[Villalobos] No. The economy is growing. When they talk about recession one asks: Where is it? There is a 17-percent increase in the use of cement and an increase in the demand for electricity. They are indicators that there is growth.

[Alarcon] There are signs that the government is not fully convinced. It was said the state of siege, for example, would help accelerate the reforms, but then in a matter of hours there was more flexibility. The principle of authority was fundamental for privatizations in Peru, Argentina, and other countries.

[Villalobos] The state of siege was necessary to guarantee the normal production process. There is a conviction within the government but I want to remind you that the president is a democrat and he intends to implement those changes in those sectors. He has always respected the law, institutions, and human rights, and he has no intention of closing Congress, as [Former Chilean President Augusto] Pinochet and [Peruvian President Alberto] Fujimori did. He has decided to carry out things patiently.

[Alarcon] Excesses have been committed that only make union leaders more popular instead of contributing to clearing the path so that the government can implement its plan.

[Villalobos] The changes affect interests. We are trying to change a country that is made up with groups and small groups. In the case of the teachers, for example, no one contested the essence of educational reform, which is an instrument that eliminates the obligatory payment to the union and the power to order where the teacher goes.

[Alarcon] Does the government commit errors?

[Villalobos] What government does not make mistakes? Even more so when an economic and social revolution starts in democracy, where a country is being changed while social problems are being looked after by putting out the fires.

[Alarcon] Under these conditions, do you believe that the MNR [Nationalist Revolutionary Movement] will make a comeback in 1997?

[Villalobos] I believe so.

Brazil

Finance Minister Malan Strongly Defends Real Plan

PY1406015395 Sao Paulo AGENCIA ESTADO in Portuguese 2309 GMT 13 Jun 95

[Report by Vania Cristino]

[FBIS Translated Text] Brasilia, 13 Jun (AE) — Finance Minister Pedro Malan today decided to come out of the dark and show who is actually running the economy. In a demonstration of force and power during the Central Bank presidency changeover ceremony, the minister strongly, firmly, and vehemently defended the Real Plan. According to the minister, while all the other plans had failed before completing one year, the real is full of good results: The basic food basket today is approximately 6-percent cheaper; the economy grew by 5.7 percent in real terms in 1994; and in the first quarter of 1995 the gross domestic product (GDP) grew by 10.5 percent.

Malan said that during the first five months of the year the accumulated inflation rate had reached exactly 8 percent. He noted that this is the lowest rate since 1973, and that before July of 1994 this accumulated rate had been reached in just five days. Such a low inflation rate has been registered only in 1960, 1969, 1970, and 1973, he said. The minister noted that Real Plan figures were so good — 15.5 percent growth in the industrial sector, with sales growing by 28.5 percent in 1995 — that it was necessary to slow the economy down a bit.

"Growth at that rate is not sustainable," the minister said. Malan explained that the government was compelled to adopt strong measures to reverse expectations over increasing prices and balance of payments instability, because imports would have inevitably grown too much in order to meet domestic demand.

In the opinion of the minister, the measures the government has adopted are showing their effects now. That

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is the reason for signs of greater flexibility regarding interest rates and compulsory deposits. "Our main commitment is to price stability and to the sustained growth of the Brazilian economy." Malan once again said that there are no miracles. "The stabilization process is slow and demands patience, persistence, perseverance, determination, and a sense of direction."

Malan remarked that the government objective of keeping the inflation rate low and promoting sustained development seeks, as its major goal, to allow the country to resolve its big ailments and social imbalances. "Yet doing so without caring for inflation and sustained development would be equivalent to once again indulging in the deception of the generous hand that provides nominal earnings, while another evil hand strips away these earnings through inflation, through a real reduction in wages."

The minister attributed the long period of high inflation to the culture of inflation and indexation that still persists in the country. "We made our contribution to mankind. In addition to homo sapiens, homo faber, and homo economicus, we created homo indexadus," he said. He added: "Unfortunately the proinflation party, the proweak currency party, is still strong in our country, like a broad front against the Treasury, a really self-devouring front."

Malan said that despite the culture of inflation, the worst problem in the country is the lack of self-esteem. "I believe the worst thing that can happen to a country as a society is to lack a minimum of self-esteem, of confidence in itself and in its own future." He went on to say that "what we have ahead of us is not a 100 yard track, but a marathon of obstacles that will demand time, persistence, determination, and support."

PFL Supports Finance Minister

PY1506032095 Sao Paulo AGENCIA ESTADO in Portuguese 2328 GMT 14 Jun 95

[Report by Christiane Samarco]

[FBIS Translated Text] Brasilia, 14 Jun (AE) — Attentive to the dispute between Planning Minister Jose Serra and Finance Minister Pedro Malan, PFL [Liberal Front Party] leaders have decided to take sides in this fight. "We will protect Malan as much as we can," said a PFL leader today, recalling that the "dinner of adoption" that the PFL offered Malan nearly two months ago was not a casual or isolated event.

Although the PFL considers the dispute worrisome and bad, it sees Malan as an essential factor of political equilibrium in managing the economy. "Serra is in a race to become the future PSDB [Brazilian Social Democracy Party] presidential candidate, and always defends the interests of Sao Paulo State," a former northeastern governor complained. "Just like Malan, I am a great liberal," Deputy Inocencio Oliveira, PFL leader in the Chamber of Deputies, jokingly said today.

The PFL wants to systematically demonstrate its political support for the finance minister. "The top PFL leaders will always publicly praise him whenever they can," said a congressman, adding: "We will remain attentive to his position, because we do not know to what point he is willing to remain in his post." Some PFL members interpret Malan's speech at the swearing-in ceremony for the new Central Bank president as a signal: "He demonstrated that he is not quite willing to stand things much longer," said a PFL senator.

With the experience of someone who has already been finance minister, Environment Minister Gustavo Krause admits that the relations between the two ministries are potentially explosive. However, he does not consider the creation of an economy ministry as a solution. "They share some administrative jurisdictions, as in the case of economic stability, the control instruments for which are distributed between the two ministries," Krause said. The solution to this, he believes, is in the hands of the president of the Republic, as a healer of conflicts.

Sivam's Possibilities, Limitations Analyzed

PY1406190095 Sao Paulo FOLHA DE SAO PAULO in Portuguese 12 Jun 95 Section 1 p 8

[Article by Gustavo Krieger]

[FBIS Translated Text] The Sivam [Amazon Region Surveillance System] will not resolve the Amazon region's major problems.

The project, which is budgeted at $1.4 billion and which should start operating in two years, will create a data bank on the Amazon region. In order to use this information, however, the government will have to modernize its structure in the region.

SAE [Strategic Affairs Secretariat] chief Ronaldo Sardenberg has admitted that Sivam will be a starting point for new government action in the Amazon region.

Sardenberg, who coordinates Sivam, has said that "with more real-time information on the Amazon region, society will pose increasing demands for government action, demanding more efficiency in the region."

Sivam will pass its information over to several government consumers, including the Ministries of the Environment, Justice, Health, and Agriculture, the Federal Police and Ibama (Brazilian Institute for Environmental Affairs and Renewable Natural Resources).

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The problem is that those consumers have no structure for translating Sivam information into action.

A study made by Ibama has revealed that the Forest Police would need some 3,000 agents for controlling felling of trees and burning in the Amazon region. Ibama currently has fewer than 50 agents to watch the Amazon forest.

The Federal Police also expects to increase personnel in order to take action on the information produced by Sivam.

The lack of structure for taking advantage of the information produced by Sivam has already elicited criticism of the project, even within the military ministries.

General Thaumaturgo Sotero Vaz, former chief of the Amazonas Military Command, has told the National Defense Committee of the Chamber of Deputies that it is more important to create structures for the Federal Police and the Environment Ministry, instead of investing in Sivam.

Sardenberg has said that the government has no money to invest in the protection of the Amazon region. Financing for Sivam was obtained by the consortium of enterprises that will supply the equipment for the project and that is headed by the U.S. company Raytheon.

According to Sardenberg, SAE expects "Sivam to help the government reduce the mistakes it makes in its policy for the Amazon region."

Aeronautics Minister Mauro Gandra, who will coordinate implementation of Sivam, has also admitted that the program will be just a "tool" for designing new public policies for the region.

Gandra added that "Sivam's main short-term advantage will be to provide information on the Amazon region, permitting the government to redesign its policy for the region."

Sivam was created as part of a larger project, the Sipam (Amazon Region Protection System). This project will centralize the information produced by Sivam and will channel it to government consumers. Because of lack of funds, Sipam has so far not gone beyond paper.

'Military Nature' of Sivam, Data Access Questions Viewed

PY1406191795 Sao Paulo FOLHA DE SAO PAULO in Portuguese 12 Jun 95 Section 8 p 1

[Article by Gustavo Krieger]

[FBIS Translated Text] Sivam was conceived of as a military project, and it continues to be considered a military project. The project is coordinated by the Aeronautics Ministry and by SAE (Strategic Affairs Secretariat].

The government usually describes Sivam as an environmental initiative, with emphasis on the protection of the environment in the Amazon region.

In truth, however, the Ministry of the Environment and Legal Amazon Region will be just one of the project consumers. The ministry had practically no influence on the definition of Sivam.

Environment Minister Gustavo Krause himself has publicly admitted the separation between Sivam and his portfolio.

In a letter addressed to the Chamber of Deputies' National Defense Committee, Krause said that he would give no briefing on Sivam because his portfolio "did no participate" in the design of the project.

Marcelo Tunes, an official of the Amazonas Region Secretariat of the Environment Ministry, said that the secretariat "has no participation whatsoever in Sivam. The project falls under full responsibility of the Aeronautics Ministry."

The government created a coordinating commission for Sivam, which included representatives of the Ministries of Justice, Health, Environment, Agriculture, Finance, Planning, and Aeronautics, and of SAE.

The National Defense Committee investigation revealed that this coordination work served to justify Sivam, but had little real effect. SAE selected the equipment for Sivam, its deployment sites, and the supplying enterprises.

History

Sivam was conceived of as a continuation of the Dacta project, which is the Brazilian air traffic control network.

The proposal was made by the Aeronautics Ministry. The air control network is currently unable to monitor part of the Amazon region.

While in its study phase, the project gained another dimension, beginning to play the "strategic" role of guaranteeing sovereignty over the Amazon region.

According to SAE chief Ronaldo Sardenberg, Sivam's "strategic" aspects will be seen in two areas: First, in the air defense area, preventing invasions of the region, and second, giving the government the capacity to monitor the occupation of the Amazon region, preventing eventual border problems.

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Criticism

The military nature of Sivam has elicited criticism of the project, especially from nongovernmental organizations (NGO's) operating in the Amazon region.

Marcio Santilli, director of the Social-Environmental Institute, which works with Indians and workers who gather rubber in the Amazon region, has said that the main problem of Sivam is the democratization of the information that will be produced by the system.

"Based on what we have seen thus far, the government will have a monopoly over Sivam information," Santilli contended.

In his opinion, "the NGO's will have no access to Sivam, or will have to kiss a government official's hand in order to have it."

Brigadier Archimedes Faria, the SAE executive under secretary, has said that the information produced by Sivam will be offered not only to government organs but also to universities and study centers throughout the country.

Faria added that the government is now studying the distribution of the Sivam information.

"The system will start operating in two years. It is still early to discuss such matters," he contended.

Economists Forecast 1995 Economic Growth

95SM0369A Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 May 95 pp 1, 14

[Article by Carlos Alberto Sardenberg and Antonio Carlos Seidl: "Recession in the Next Few Months Will Attempt To 'Correct' Growth at Start of Year"]

[FBIS Translated Text] Brazil will end this year with a higher production rate than in 1994. So strictly speaking, 1995 will not be a year of recession because the economy will not have experienced negative growth throughout the 12 months. In other words, the country will have more goods and services next December than it had in December 1994.

But until then, there will be a clear feeling of recession in the country: Every month the economy will be producing less, selling less, and providing fewer jobs.

To sum up, Brazil will be richer when the year is over than it was in 1994—that is, it will have a higher GDP. But Christmas will be a lot poorer than it was last year—growth in the last quarter may even be negative.

That is the forecast made by consultants, and it is also the objective of the administration's economic policy. The Brazilian economy is "coming in for a landing," as the economists say.

That means reducing the growth rate, which has been accelerating rapidly since the start of the Real Plan. In the first quarter of 1994, while we were still in the phase of high inflation, the Brazilian economy was growing at a basic rate of 4 percent per year. So if the economy had maintained its level of activity throughout the year, the GDP at the end of 1994 would have been 4 percent higher than the year before.

But after the real was introduced in July, the economy began to take off. By the end of the year, the GDP was 5.7 percent higher than in 1993—proving that the second half of the year had heated up considerably.

To reach an average of 5.7-percent growth and make up for the 4 percent recorded during the first six months, economic activity had been escalating every month. And it continued to do so at the start of this year.

A comparison of the first quarter of 1995 with the same period last year showed that the economy was growing at a fantastic 10 percent per year.

The main reasons for that growth are well known: wage gains as a result of the end of inflationary erosion and the invitation to personal indebtedness brought on by the atmosphere of stability.

The growth was expected, but its intensity frightened the administration, which adopted a number of anticonsumption measures—basically high interest rates and the withdrawal of money from circulation so as to hamper credit transactions.

In that framework, two questions have been the subject of debate among businessmen, politicians, economists, and consultants. First, why can't the country grow by 10 percent per year? And second, what will be the extent of the slowdown?

"The economy was exploding. Without a freeze, the result would be inflation sooner or later," says Persio Arida, president of the Central Bank.

Inflation would result because industry would be incapable of satisfying the market. When the real was introduced, Brazilian industry was using 75 percent of its installed capacity.

As a result of the real, equipment utilization increased almost to the maximum. From then on, production could increase only if there were new factories, which it takes time to build.

Imports supplement local production, and they have been widely used since the plan began. But that also reached a limit because the administration, following the crisis in Mexico, found itself forced to generate surpluses in foreign trade.

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Faced with the need to export more and import less, the economy could not keep up with consumer demand. And when there are more consumers than available product, prices rise.

An alternative would be to reduce consumer purchasing power—for example, by raising the income tax, as some economists suggested. That would be correct from a technical standpoint but obviously not feasible from a political standpoint.

Since the current economic team always rejects price freezes, the administration chose to restrict consumption through monetary policy. "You cannot toy with overheated consumption. The Brazilian did his homework just like anyone else would," says Arida.

The policy is working: The signs of a slowdown are visible—a drop in sales compared to the previous month and fewer workers in industry. And inflation is dropping in May, according to all the indicators.

But there are disagreements as to how deep the slowdown is. Arida says the economy is going to suffer a "jolt," but he does not translate that into figures. He claims, however, as do all the members of the team, that there will be no recession.

That guarantee applies only on a year-to-year basis. It is true that on a month-to-month basis, everything will decline: sales, jobs, and prices.

In the opinion of MCM Consultants, former Minister Mailson da Nobrega's firm, the second quarter itself will show a growth rate of 8 percent, compared to 10 percent in the first quarter. And the decline will bring the growth in GDP down to 5.8 percent by the end of the year.

That 5.8 percent is obviously an average. What it means is that in order to offset the 10 percent recorded in the first part of the year, growth in the last quarter of 1995 will have to be zero or even negative in comparison with the same period in 1994.

That situation would indicate a partial recession—not exactly a disaster, as some people imagine.

In Mailson's opinion, the country will continue as it is now: slowly but without a recession throughout this year and next year.

Michael Gartenkraut of Rosenberg Consultants believes that the "jolt" is going to be a very big one this time. He feels that the government administered too large a dose and that the "slump" will be greater than expected. In other words, the recession over the next few months will be deeper. Gartenkraut is gambling on average growth of only 4 percent for the year. That is nearly 2 percentage points below MCM's forecast.

But both consulting firms, along with most economists, agree on the trend: deceleration now and a listless rate in 1996, with growth in the area of 3 percent—not much, considering that the population is growing by 1.8 percent per year.

Forecasts Compared

MCM Consultants feels that Brazil's GDP will total $650 billion in 1995 and $660 billion in 1996. Rosenberg Consultants is predicting $566 billion in 1995 and $608 billion in 1996.

MCM says the country will grow by 5.8 percent in 1995 and 3 percent in 1996. Rosenberg's figures are 4 percent and 3.5 percent, respectively.

Concerning the foreign trade balance, MCM is predicting $2.7 billion in 1995 and $3.8 billion in 1996, while Rosenberg expects $3 billion in 1995 and $8 billion in 1996.

MCM estimates the annual inflation rate at 30.9 percent in 1995 and 31.5 percent in 1996. Rosenberg says it will be 30 percent in 1995 and 12 percent in 1996.

MCM is predicting that the dollar will be worth 0.99 real at the end of 1995 and 1.20 reals at the end of 1996. Rosenberg says it will be worth 0.93 real at the end of 1995 and 1.00 real at the end of 1996.

Slowdown Helps Free Wage Bargaining

The economic slowdown is essential to the continuation of the Real Plan, which calls for the gradual deindexation of the economy.

Deindexing means eliminating rules for the automatic correction of prices, wages, and contracts to reflect past inflation. Such a system perpetuates inflation.

The most important of those correction rules applies to the wage policy, an item that influences the entire economy. There can be no deindexation of wages while the economy is overheated.

Fernando Henrique Cardoso's administration has announced that it is going to eliminate the current system of correcting wages based on the IPC-R [Restricted Consumer Price Index], an index that measures inflation in the period preceding a wage adjustment.

Instead, the administration intends to retain only the following rule: Wage adjustments can be made only at one-year intervals. The size of the adjustment is to be negotiated between employer and employees.

That is called free wage bargaining. But in an overheated economy with restrictions on a further increase

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in imports, that system leads inevitably to an inflationary correction between prices and wages.

The labor unions, fulfilling their role, will always demand the largest possible wage increase. The employers will accept or reject that demand on the basis of two factors: the possibility of absorbing the higher labor cost through gains in productivity (meaning that there will be no need to raise prices) or the possibility of passing the labor cost on in the form of higher prices.

Passing the labor cost on is the easiest solution. If a businessman sells everything he produces and consumption rises faster than production and imports, then it is easy to raise prices in proportion to the wage increase.

The wage increase then results in inflation, which eats up the value of wages. The unions ask for another wage increase, and the result is the ring-around-the-rosy that Brazilians are familiar with.

If, on the other hand, the economy cools down and imports are still available, then the local businessman cannot raise his prices or he will lose his customers. In that situation, he must achieve gains in productivity and resist the wage demand. That is bad for the worker at the time, but favorable for the economy as a whole, because it ensures stability.

Wages have improved in real terms since the Real Plan was introduced. If the government's policy works, then there will be no gains. There may or may not be losses, depending on the extent of the economic slowdown.

Accelerating or Coming to a Stop?

The policy of using high interest rates to slow down the economy this winter may kill the Real Plan with pneumonia, in the opinion of businessmen. "An ice-cold bath in the summer is refreshing, but in the winter it causes the flu and pneumonia," says Luiz Fernando Furlan, president of Abrasca (Brazilian Association of Open Capital Companies) and of Sadia's board of directors.

And although the government denies it, there are those, like Mario Amato, former president of the Sao Paulo State Federation of Industries, who say that the country is headed for a recession.

Here is what businessmen say about the current pace of the economy and its prospects:

Boris Tabacof, current director of economy at FIESP [Sao Paulo State Federation of Industries]: "The Real Plan will not lead to recession because interest rates will soon begin to fall. The effects being sought by the government through its policy of high interest rates are being achieved: a balance in foreign accounts and a cooling of demand. That leaves room for a gradual loosening of the restriction on credit."

Mario Amato, president of the CNI (National Confederation of Industry): "The recession is already here. Orders for machinery and equipment fell by from 15 to 20 percent last month. That is an indication of less investment. High interest rates are incompatible with the reduction of inflation to about 30 percent per year. But the government is giving indications that interest rates will drop because it has reduced the percentage of their deposits that banks are required to keep on deposit with the Central Bank."

Luiz Fernando Furlan, president of Abrasca: "The Real Plan may lead to a recession because, to use a parable, an ice-cold bath in the summer is refreshing, but an ice-cold bath in the winter causes the flu and pneumonia. Sales stopped rising 60 days ago. It's time to warm the water."

Henrique de Campos Meirelles, president of the Bank of Boston and of the American Chamber of Commerce of Sao Paulo: "I believe that the current high level of interest rates is pushing the Real Plan toward recession. That is the effect on the economy of the high rates of the compulsory deposit, one consequence of which are the interest rates."

Roberto Teixeira da Costa, president of the CEAL (Latin American Council of Businessmen): "The high interest rates are a threat to the Real Plan in the medium term because they prevent investments aimed at increasing the supply of goods and services. The firms feel that the restriction on credit is an emergency measure. They are working on the assumption that there will be stabilization rather than recession in the second quarter."

Humberto Mota, president of the ACRJ (Rio de Janeiro Commercial Association): "The high interest rates are untenable and will lead to a drop in production. There are clear indications of the start of a recession: Several firms have stopped investing, and others have canceled the third production shift."

Helge Karsten Reimelt, president of Bayer: "The current level of interest rates is harming business because it is making investment difficult. The lack of investments and the restriction on credit are opening the door to recession. No one can convince me that the basis of prosperity is not economic growth."

Sergio Haberfeld, president of the Toga Packaging Industry: "Recession is necessary. I am radical on that point. Only in Brazil do people imagine that inflation can drop from 50 percent per month to 2 percent per month with everybody being happy. The only way to keep inflation low is to create a recession. I agree with

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the government policy of high interest rates. Recession is necessary until all the reforms are complete. Without the reforms, the Real Plan is in danger of blowing up. I believe that we will have more recession for a year—until the first effects of the reforms in the economy are felt."

Joseph Couri, president of Simpi (Sao Paulo Union of Small and Very Small Industries): "The Real Plan is already going through a recession. About 47 percent of the small and very small industries are in debt, 20 percent will probably go broke, and 35 percent are unable to fulfill their contractual obligations. With its high interest rates, the government was trying to kill a tick, but it is killing an ox. High interest rates are ruining the production sector. Brazil needs a sharp increase in supply in order to have investment and employment, not high interest rates."

Roberto Nicolau Jeha, coordinator of FIESP's GPPI (Permanent Industrial Policy Group): "If interest rates remain high and make credit and investments prohibitive, then the Real Plan is likely to slip and fall into a recession. But I feel that the government has already realized this and that it is going to loosen interest rates and the supply of credit. A recession does not help anyone. The real's collision course is with high interest rates, but it will be corrected, and we will see economic activity stabilizing at a higher level in the second half of the year than in the same period last year, although there will be nothing explosive about it."

Horacio Lafer Piva, current director of FIESP's Research Department: "High interest rates are a problem for the Real Plan because they dry up the economy. The economy remains unirrigated because of the lack of credit. That may lead the plan into a recession. But I have a feeling that the Central Bank is going to loosen credit. The economy has lost speed more quickly than the government expected it to. I am optimistic about the medium and long term, but worried about the short term. How many deaths must we suffer before we enter the best of all possible worlds, which is bound to come?"

Paulo Roberto Butori, president of Sindipecas (Auto Parts Industry Association): "I believe that the high interest rates may provoke a recession because they inhibit consumption and discourage investment. But I feel that that situation is a necessary palliative. The only permanent solution is constitutional revision. That revision will provide the indispensable economic instruments for creating a long-range economic policy."

Chamber Head on Congress, Political Reform

95SM0368A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 May 95 p A12

[Article including interview with Chamber of Deputies Speaker Luis Eduardo Magalhaes by Cristiana Lobo and Bartolomeu Rodrigues in Brasilia on 26 May 1995: "Luis Eduardo, Governor of the Chamber"—first paragraph is O ESTADO DE SAO PAULO introduction]

[FBIS Translated Text] *The man who is third in line to become president of the republic does not conceal his admiration for his father in politics, and in economics he follows Roberto Campos.*

Brasilia—Luis Eduardo Magalhaes (PFL [Liberal Front Party], Bahia) has a virtue that is emphasized by allies and opponents: When he is convinced of something, he is not afraid to explain his position even if it is unpopular and does not please the one he is talking to. An example of this occurred at the height of the Cruzado Plan in 1986, when he was speaker of the Bahia Legislative Assembly. He made several statements opposing negative interest rates and the price freezes. "You could see that it was not going to work," he explains.

Today, as speaker of the Chamber of Deputies at 40 years of age—the only person to become speaker at a younger age was Marco Maciel, who assumed the post when he was 35 years old—Luis Eduardo retains that style. He talks to representatives of all segments of society and receives congressmen from all the parties, but he says what he thinks. On Friday, shortly before granting this interview to O ESTADO DE SAO PAULO, he met with a group of municipal councilors from Sergipe who wanted his support against the amendment opening up the petroleum monopoly to the private sector. He told them: "I detest lying, and I am not going to deceive you. I am not going to lie to you: I am in favor of that amendment, but I can promise that I will call you when the law regulating concessions is being drawn up." In response, he was praised by his visitors, including those belonging to the PT [Workers Party].

The door to his office as speaker of the Chamber of Deputies—he is third in the line of presidential succession—is always open to the congressmen, a circumstance that sometimes causes problems. But Luis Eduardo is not thinking of closing it. "I have to listen to the deputies and learn about their problems." Pointed to as a "discovery" in the new crop of politicians, Luis Eduardo receives a great deal of praise. Ulysses Guimaraes, Pedro Simon, and Mario Covas all said the same thing: "This kid is very good." He is not exactly

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a "kid," however. At 40 years of age, Luis Eduardo is serving his fifth elected term—two as state deputy in Bahia and now his third in the Chamber of Deputies.

His political actions are independent of those of his father, Bahia Senator Antonio Carlos Magalhaes [ACM]. Although their styles differ, Luis Eduardo never tires of repeating: "My politics have always been those of ACM." And, he adds, in economic matters he follows Roberto Campos (PPR [Progressive Renewal Party], Rio de Janeiro). When he was a state deputy, Luis Eduardo would clip and save articles by Roberto Campos, and today Campos is still one of those he most likes to consult.

As one of the organizers of the political alliance that elected Fernando Henrique Cardoso, Luis Eduardo Magalhaes is one of the administration's top men. He is an adviser to the party and to Planalto Palace, but when acting as speaker, he follows the rules to the letter. "That institution must be respected," he says.

Luis Eduardo makes friends easily. A disciplined man, he rises early, takes a long walk around the Peninsula of the Ministers, where he lives in Brasilia, and can be found in his office shortly after 0900 hours. He makes it a point to have lunch at home so as to ensure that he is following his diet—not so much from vanity as from a desire to take care of his health. He is punctual: At 1600 hours he takes charge of work in the chamber and follows the agenda. That is when matters before the chamber are debated and voted on. He loves music: "Friends Forever" sung by Jose Carreras and Sarah Brightman, "The Perfect Year" by Diane Carroll, and everything by Barbra Streisand.

'This Congress Meets More Than Any in the World'

The above sentence explains why deputies work in Brasilia only from Tuesday to Thursday.

Since Luis Eduardo Magalhaes became speaker of the Chamber of Deputies, some changes in the way that chamber is run are already noticeable. Lobbyists no longer attend plenary sessions—access has been restricted to former congressmen, government officials, and accredited reporters—and some of the deputies' privileges have been eliminated, examples being transportation service to the airport and wage vouchers.

Obsessed with the idea of improving the chamber's image, Luis Eduardo is certain that that will happen only if Congress actually votes. As a result, he has eliminated the college of leaders, a body that in past legislatures was a forum for setting the agenda for voting, and he has put a crimp in his colleagues' pocketbooks: Anyone who is absent gets docked. "I haven't done anything new; I am simply insisting that the bylaws and rules of the institution be carried out," the deputy says.

* * *

[ESTADO] Did the strike by the petroleum workers help strengthen the idea in Congress that the petroleum monopoly should be broken up?

[Magalhaes] The monopoly was going to be broken up in any case, and the inclination in the chamber is to amend that constitutional provision. Of course, the strike reinforced that feeling. But it should be pointed out that the monopoly is not going to be broken up solely because of the strike, which merely strengthens some points in the issue.

[ESTADO] Is the Brazilian labor movement swimming against the tide?

[Magalhaes] Their strike was a political strike. The union movement needs to modernize itself and seek better labor relations, but without the essence of corporatism.

[ESTADO] How are you going to deal with the pressure from the petroleum workers, who are promising to fill the galleries when the monopoly is on the agenda?

[Magalhaes] The feeling as to who is at the plenary session when a controversial vote is being taken is that all of Brazil is in the galleries. That is a mistake. The people up there making noise are a few privileged individuals who were able to get to Brasilia. And their bills are being paid by the ordinary worker.

[ESTADO] Are you going to adopt any special security measures?

[Magalhaes] My duty is to ensure the safety of the congressmen. No one is doing anything secretly, and I will not allow any kind of aggression either in here or out there. This chamber is open to all of society, but we have internal rules that will have to be obeyed. I will not give an inch.

[ESTADO] How are your relations with congressmen linked to the CUT [Sole Workers Center]?

[Magalhaes] The best possible. They are educated men, and they have been demonstrating that they are prepared to exercise their mandates. In many cases they are working to maintain calm in the chamber.

[ESTADO] Is it difficult to get along with lobbyists in Congress?

[Magalhaes] I get along in the usual way—I have no complexes of any kind. I listen to any area and any sector that wants to explain why it is defending this

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or that interest. But when the time comes to decide, I decide according to my conscience. I feel, however, that it would be very important to regulate lobbyists. There are bills with that in view.

[ESTADO] What is the difference between today and the period when the 1988 Constituent Assembly was meeting?

[Magalhaes] It was a different world during the Constituent Assembly, although I don't feel guilty about some of the viewpoints I defended at the time. For example, because there had been a clear restriction on the formation of parties, we took the opposite tack. All the barriers were removed, and we know now that that is not the ideal situation. An effort was also made to grant all individual rights and guarantees, and in that we were successful. In the economic area, unfortunately, the result was a disaster. There were some utopian provisions in the case of the minimum wage. Other provisions, such as setting interest rates at a maximum of 12 percent per year, are now anecdotal.

[ESTADO] The adjustments to the Constitution were supposed to have been made in last year's revision, but that opportunity was wasted. What happened?

[Magalhaes] There were several mistakes and errors in the way the process was handled. They wanted consensus on subjects on which there was no consensus because none of the parties involved would capitulate. The result was that no majority could be formed. The only important vote in connection with revision—regarding the concept of the domestic firm—failed in three ballots even in that atmosphere. At the time, the administration was concerned only with the Social Emergency Fund. It ignored everything else. In addition, we were pushed aside during the revision process by the congressional committee investigating the budget.

[ESTADO] In votes on economic reform, the PFL has voted 100 percent with the administration. It supports the administration even more than the president's party—the PSDB [Brazilian Social Democracy Party]—does. What is the secret of that unity?

[Magalhaes] The PFL worked for a long time on a program of alliance with the PSDB, and then it submitted a proposal for government to President Fernando Henrique for his examination. Our program maintains a policy of coherence. Amendment of the Constitution to effect a reform of the Brazilian economy is present in all of the party's documents. We seek party unity on fundamental issues. This shows that the PFL is a party that wants the changes being proposed by the president, who has been taking over some of the points in our program.

[ESTADO] As Deputy Luis Eduardo, do you feel frustrated at not being able to vote, seeing that the speaker of the chamber votes only in case of a tie?

[Magalhaes] Deeply frustrated.

[ESTADO] Can the administration's political base in Congress be considered guaranteed?

[Magalhaes] The most important thing to Fernando Henrique today is to strengthen his political base so as to be able to promote the economic and social reforms. Without such a base, that will not be possible.

[ESTADO] Would a reform of the political parties help strengthen that base?

[Magalhaes] Without a political reform, it will be very difficult to have a disciplined, modern framework of political parties. It is necessary to institute party loyalty, and the parties must begin debating their platforms internally and agree on points in those platforms so that there will be no doubt when the time comes to vote. Moreover, we cannot allow all kinds of coalitions in the proportional voting system purely in response to local interests, with no regard for party platforms. That is an aberration. Political reform will have priority immediately after economic reform.

[ESTADO] What kind of Brazil will emerge after the reforms?

[Magalhaes] Economic reform, and it is important to make this clear, is not going to have an immediate effect, but it is opening up vast areas for foreign investment different from anything we had before in completely unexplored sectors such as mining. It will also make it possible to free up the telecommunications sector. It is important to improve and expand services. Under the current Telebras [Brazilian Telecommunications, Inc.] system, that would not happen because of the lack of funds for investment. Eight million consumers are excluded from the system because of the sector's lack of capacity.

[ESTADO] And what changes can society expect from the Chamber of Deputies this year?

[Magalhaes] The chamber is demonstrating that it has broken with a number of old practices. The thing I consider most important from the political point of view is the fact that the deputies show up for deliberative sessions. We always work with the participation of over 90 percent of the deputies.

[ESTADO] Is that the result of political persuasion or a matter of money, seeing that absentees are punished by having their pay docked?

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[Magalhaes] That measure was important, but there was also recognition of the fact that it was necessary to work on restoring the image of the legislative branch. The new Congress has been exemplary in that respect. Today we no longer need to telephone people or send telegrams to ensure a quorum. The deputies show up as a matter of course.

[ESTADO] But Friday is still a day off so that the deputies can have a long weekend.

[Magalhaes] That is true of any congress in the world. It is clear that if there is something to vote on, a vote must be taken on Friday or Monday. But if not, why hold a session simply for speeches? The deputies also need to be in contact with their states, municipalities, and labor unions. We are constantly being invited to attend events in important sectors of society, but often we are unable to satisfy those requests. This Congress meets more than any in the world. I challenge anyone to show me a congress that meets more than the Brazilian one does.

[ESTADO] Do you consider it fair that deputies are entitled to special retirement plans?

[Magalhaes] The special retirement plan for congressmen must be altered along with those for other privileged groups such as journalists, judges, teachers, and employees of some state-owned firms. I don't feel that I have the authority to alter any group's retirement plan unless I also alter my own.

[ESTADO] Are you prepared to initiate that debate now?

[Magalhaes] It is part of the administration's proposal. The reform of social security is to begin with elimination of special privileges.

[ESTADO] Is Luis Eduardo Magalhaes the PFL's candidate to succeed Fernando Henrique Cardoso?

[Magalhaes] The PFL has many possible candidates. I personally will vote in favor of the amendment allowing the president to be reelected.

Chile

Gen Contreras Hospitalized for Hypertension

PY1306200495 Santiago Universidad Catolica Television Internacional in Spanish 1800 GMT 13 Jun 95

[FBIS Translated Excerpt] Retired General Manuel Contreras was urgently hospitalized today at the Naval Hospital of Talcahuano. We have a report from Rene Soto of the channel five television station in Concepcion.

[Begin live relay] [Soto] Gen. Manuel Contreras arrived at the Talcahuano Naval Base at around 1045 today in a Navy helicopter. The arrival of the helicopter took reporters by surprise. It was obvious that something was going to happen at the Talcahuano Naval Base, as some tension could be felt there since last night. As already reported by Universidad Catolica Television last night, the Talcahuano Naval Base was one of the sites where Gen. Contreras could go to enter a hospital. As we can see in the tape, Gen. Contreras arrived with two women, but their identities have not been disclosed. The Second Naval Zone Command has not released any information. The images also show the arrival earlier of General Luis Cortes Villa, chief of the Army Logistical Command, and General Manuel Vitis, chief of the Army Medical Corps, on a regular flight of LAN-Chile [Chilean National Airline]. They are now meeting in the Chacabuco Regiment. We can now see the Naval Hospital, where Gen. Contreras was hospitalized suffering from arterial hypertension. Gen. Contreras will undergo a physical checkup, but it is not known how long he will stay at the Naval Hospital. We have a report by Carla Castillo from the Naval Hospital:

[Castillo] Good afternoon. We are in front of the Almirante Adriazola Hospital at the Talcahuano Naval Base. A few minutes ago the Second Naval Zone Command delivered an official communique saying that Gen. Contreras entered the Naval Hospital at 1100 today. The communique explains that during his flight to Santiago, Gen. Contreras became ill and it was necessary to put him in this hospital for a medical checkup. Some officers are in the hospital, and the guards at the access points to the hospital have been reinforced. In other words, there is now more control over the people who normally walk around here. The media were not allowed inside, but we will be covering any new information. This is all we have so far.

[Soto] This is all the information we have from Concepcion. [end relay]

Here in Santiago, the government confirmed at around noon that Gen. Contreras had been hospitalized at the hospital on the Talcahuano Naval Base. [passage omitted]

Effect of Letelier Case Ruling on U.S. Relations Examined

PY1406214895 Santiago EL MERCURIO in Spanish 1 Jun 95 p C3

[FBIS Translated Text] The Supreme Court decision ratifying the imprisonment terms of seven and six years that were imposed on retired General Manuel Contreras and Brigadier Pedro Espinoza, respectively,

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has strengthened Chile's image abroad as a country in which the state of law is respected, and in which the judicial branch has with total independence made its decision in the case of [former Chilean Foreign Minister Orlando] Letelier.

This statement was made on 31 May by Foreign Minister Jose Miguel Insulza, who commented on the international repercussions of the Court resolution.

The murder of former Foreign Minister Orlando Letelier and his U.S. assistant Ronnie Moffitt, which was perpetrated in Washington D.C., seriously impaired Chile's image abroad and its relations with the United States. In fact, since the beginning — as the minister put it — there were suspicions that intelligence agents operating in our country participated in the murder.

In this regard, Insulza said that one cannot claim that the above court decision and the U.S. Government's reaction have resolved a problem hindering bilateral relations. He said that the problem had been overcome four years ago when the two countries agreed to summon the Bryan Commission to establish an ex gratia compensation, and when they decided that the Chilean courts would judge Contreras and Espinoza in keeping with Chilean law.

"As I see it, the problem was overcome during the (Patricio) Aylwin administration, when an agreement was reached with the United States on the method for addressing the subject," the minister said.

Concerning the U.S. reaction — the U.S. administration released a communique stating that the resolution had made justice prevail, and congratulating the Chilean Government for its efforts in this regard — Insulza said that the congratulations should be addressed to the judicial branch, which made its decision with total independence.

Insulza believes that the resolution, which ratifies a lower court decision made by special Judge Adolfo Banados, has strengthened Chile's image abroad as a country that has made a democratic transition, respecting the Constitution and the rules set for that transition.

The foreign minister added that the government is satisfied with the manner in which international news agencies and foreign correspondents addressed the subject, as they emphasized the prudent reaction from all sectors of the country to the resolution, and the general opinion that it had to be fulfilled.

He said that government officials did, however, consider the reporting on the incidents in the vicinity of the Justice Palace to be excessive, as the media coverage did not match the incidents' small magnitude.

Insulza admitted that the case did at one time seriously affect relations with the United States, and that proof of this are the sanctions imposed by that country, such as the Kennedy amendment, the elimination of the OPIC [Overseas Private Investment Corporation] guarantee, and the exclusion from the U.S. system of generalized preferences. He reiterated that this situation was normalized during the first year of the Aylwin administration.

He emphatically denied reports originating in Argentina that after the resolution the military and rightist sectors had hardened their position regarding border problems between the two countries. "I really don't see how the two things balance or could reciprocally compensate each other... I believe it is an unfortunate statement that I regard to be truly inconsistent and out of keeping with the real facts," he said.

He downplayed a statement by Gen. Contreras that he would not go to jail, noting that it was made on the spur of the moment. Insulza said optimistically that there would be no incidents when the court order is fulfilled.

Editorial: Obstacles to Agreement With Mercosur

PY1406003195 Santiago EL MERCURIO in Spanish 28 May 95 p A3

[Editorial: "Association With Mercosur"]

[FBIS Translated Text] Chile's joining with Mercosur [Common Market of the South] continues to be hampered by obstacles and delays. At the same time these negotiations, which only deal with commercial aspects, are delaying agreements in other economic areas which would also help to strengthen trade relations.

The Mercosur member countries established a high common external tariff, selective and gradual reduction of tariffs, and highly demanding origin regulations. These elements are incompatible with Chile's trade policy of low and uniform tariffs, which do not discriminate between goods on account of their country of origin. To this should be added the surcharges on imports imposed by Argentina and Brazil, which constitute an additional barrier to trade.

There are also domestic difficulties stemming particularly from the preferential treatment received by the Chilean agricultural sector. An additional stumbling block is the unjustified protection that the Enap [National Petroleum Enterprise] is requesting for its products. This government-owned enterprise opposes the elimination of tariffs on fuels imported from Mercosur member countries, on the grounds that it will expose its monopoly to greater competition. With regard to this it is worth distinguishing between the particular costs

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involved in trade liberalization and the greater degree of competitiveness to which all Chilean producers will have access, thanks to the duty-free importation of fuels.

The decline in the dollar exchange rate, farm subsidies, and the deficiencies in the support received by agricultural activities make the traditional agricultural sector particularly vulnerable to international competition. The union leaders are thus requesting total protection of farm produce from Mercosur tariff reduction. All these proposals deserve to be taken into account, but cannot give rise to permanent protection, excessive costs, or erroneous signals to indefinitely maintain crops that cannot be sustained in the medium term. Still, it would not be appropriate to go backwards through proposals that disregard the preferences currently in force within the framework of ALADI [Latin American Integration Association]. Reviewing those agreements would lead to a debate that goes beyond agriculture, and would affect manufactures and other goods that are successfully marketed within Mercosur.

Trade with Mercosur could be enhanced considerably through a speedy liberalization. In addition, it would be instrumental in balancing the trade deficit. Imports from Mercosur currently exceed Chilean exports to that common market by more than 50 percent.

The benefits of this partnership with Mercosur led people to predict speedy negotiations that could have been concluded by July. Reality has, however, imposed a number of uncertainties and a different schedule. It is unlikely that a trade agreement will be worked out in the course of this year.

Negotiations with Mercosur must reconcile the interests of a country that furthers trade without geographical barriers with the agreements between nations that have established a customs union. This is by no means an easy task, and demands flexibility in order to be consistent with free trade. There are, however, other areas for cooperation, such as investments, services, physical integration, and the settlement of controversies. Reaching agreement in these areas is fundamental for trade flows, and should not constitute a major problem.

If disagreement on trade matters is not overcome due to the unyielding positions of some Mercosur members, Chile could study the possibility of signing bilateral agreements under certain common rules that could reconcile the differences in the two partners' trade policies. This temporary solution would bring Chile and the Mercosur closer together. Concurrent with this, it would be possible to make strides in other areas of bilateral trade that would contribute to the welfare of the peoples.

Editorial: Administration's Lack of Action

PY1506012295 Santiago ESTRATEGIA in Spanish 22 May 95 p 3

[Unattributed Commentary: "Non-fulfillment of the Agenda"]

[FBIS Translated Text] A year has passed since President Eduardo Frei announced an agenda comprising six priority tasks to give a fresh impetus to trade. No concrete strides have yet been made to enable one to cherish much hope for the six-year term of the second Coalition of Parties for Democracy [CPPD] administration.

Endless political disagreements between central government and its allies have caused a major bottleneck in the official agenda; and this is acknowledged by all sectors. While the strategy to give the impression of a closer rapport between the government and the community by bringing the figure of the head of state closer to the people may be evaluated positively in terms of the president's public image, the Frei administration has so far been weak. Progress and modernization in priority areas are conspicuous by their absence.

The opposition made a painstaking assessment of the incumbent administration's actions in March, and its outcome leaves a lot to be desired. In his address on 21 May 1994, the president of the Republic put forward more than 180 proposals, of which — according to the Libertad Institute — two-thirds have not yet materialized. This institute came to the conclusion that despite having achieved a high degree of political stability and macroeconomic balances, the Frei administration seriously lacks a modernization program.

The explanations for this range from conceptual indecision, lack of coordination, little initiative, and above all, the absence of political conditions the head of state identified as crucial for his mission.

In June 1994, President Frei called upon political parties to act with discipline and cohesion in the search for cooperation and service to the people rather than an undue search for the limelight. The CPPD, however, followed the opposite approach, accentuating the resurgence of different tendencies and abandoning the horizontal party model of the administration of [Patricio] Aylwin.

Several attempts were made during 1994 to get CPPD members to close ranks and honor the commitments announced in the government program. Yet, although President Frei made his authority felt at times and some ministers were removed from office in September 1994, the government lethargy remains.

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Given this state of affairs, it is only natural that there should be a generalized disenchantment with politics. In a world beset with growing challenges, it is not enough to deliver lengthy speeches as actions speak louder than words. Chile — as the president so rightly said — has an unequalled opportunity now to achieve development and we must take advantage of it.

Colombia

FARC Communiques Deny Involvement in Medellin Attack

PA1506044395 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 15 Jun 95

[Report by Maria Alejandra Villamizar from the "24 Hours Newscast"]

[FBIS Translated Text] Today the FARC [Revolutionary Armed Forces of Colombia] issued two communiques denying their involvement in the Medellin attack.

At the same time the government ruled out any guerrilla involvement in the Medellin attack, this communique issued by the Guerrilla Coordinating Board was released. It was signed by the FARC International Commission based in Mexico.

The communique states that the FARC considered insulting the effort to blame the rebels for this attack and condemned terrorism, regardless of where it may come from. They added that these incidents are part of the political system existing in Colombia. The FARC concluded that these actions are aimed at undermining the development of a possible peace process.

Late this afternoon, the official communique of the FARC National Secretariat was delivered to the Office of the High Commissioner for Peace. This communique adds that terror has never been, nor will it ever be, a method of the revolutionary struggle. The FARC reiterated its determination to find ways leading to a just and long-lasting peace.

Minister Rules Out Rebel Involvement in Medellin Attack

PA1506043795 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 15 Jun 95

[Report by Marta Rojas from the "24 Hours Newscast"]

[FBIS Translated Text] The government today accused an organization of urban militias of Medellin for the attack that took the lives of 22 people. The government ruled out any guerrilla involvement in the attack and said that the peace process it is pursuing will continue.

The government confirmed today what was known since last Sunday, that the Medellin militias perpetrated the terrorist attack that left 22 people dead.

[Begin Government Minister Horacio Serpa recording] This event is not related to guerrilla groups either. [end recording]

However, Serpa did not rule out the possibility that the attack was launched on orders by Cali Cartel member Henry Loaiza.

[Begin Serpa recording] This hypothesis has not been ruled out yet. [end recording]

The report, characterized as sketchy, was the result of 72 hours of analysis by the Army, police, DAS [Administrative Department of Security], and the technical staff of the Prosecutor General's Office.

Attack Said Perpetrated by Bolivarian Militias

PA1406183395 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1638 GMT 14 Jun 95

[FBIS Translated Text] Caracol has just learned from official sources that the National Police General Directorate and the other institutions cooperating in the investigation of Saturday night's terrorist attack in Medellin have determined the attack was carried out by a group of the Bolivarian Militias hired by a group of drug traffickers from the Norte del Valle Cartel or from Medellin or by individuals who wanted such an action to sow panic in the capital of Antioquia Department. The attack left a toll of 22 dead and 204 people injured. The report will be presented to the president by Police Director General Rosso Jose Serrano at noon today.

The Bolivarian Militias, which operate in the northeastern part of Medellin, staged the attack on orders of a third party. I repeat: either Norte del Valle Cartel drug traffickers or individuals from Medellin.

In staging their horrible crime, there was no connection between them or either the National Guerrilla Coordinating Board or the arrest of drug trafficker Gilberto Rodriguez Orejuela. They did not act on the orders of either the FARC [Revolutionary Armed Forces of Colombia] or the ELN [Army of National Liberation], which had denied the claim made in a spurious communique sent to the country's media.

As a result, the peace process of the Ernesto Samper administration is saved. As is known, the government and defense ministers had warned yesterday that the government was not going to negotiate with terrorists and that it was not going to grant any type of amnesty or pardon for the criminals who committed this horrible terrorist act. As a consequence, the talks with the

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subversive groups to agree on an initial meeting will be reactivated.

Caracol has also learned a news conference might be held by the police director at around 1300 after he presents his official report to President Ernesto Samper and they conclude their evaluation.

Neither the Guerrilla Coordinating Board nor any subversive group is connected to the terrorist action. It was carried out by a group of hired killers of the Bolivarian Militias who were contracted by Norte del Valle Cartel drug traffickers or individuals from Medellin.

Government Makes Decisions on Negotiations With FARC

PA1306153495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 13 Jun 95

[From the "Seven o'Clock Newscast"]

[FBIS Translated Text] Despite the apparently rarefied atmosphere surrounding peace, the government has made several decisions that, though controversial, will play a decisive role in finally getting the peace negotiations off to a start.

The government is planning to inform the Revolutionary Armed Forces of Colombia, the FARC, that it will withdraw the military helicopters operating in La Uribe and that it will send its offensive weapons to Villavicencio although it will maintain a small force equipped with offensive weapons in the municipality's capital. The government will also extend to the FARC the offer to clear the region's air space of commercial or military flights for the duration of the peace talks.

If the FARC accepts these conditions, orders to capture the guerrilla leaders participating in the dialogue will be suspended, and a permanent supervisory commission will be established with the participation of international organizations to guarantee the honesty of the process.

Meanwhile, the "Seven O'Clock Newscast" has been informed that over the next few hours the government and the guerrilla organizations ELN [Army of National Liberation] and EPL [Popular Liberation Army] will issue a joint communique pledging to immediately begin negotiations pertaining solely to the implementation of treaties in reference to the war's humanization.

For the time being, these two organizations will only discuss international humanitarian law and have refused to initiate talks on the possibility of ending the armed confrontation; in other words, the ELN and EPL are flatly refusing for the time being to abandon the armed struggle.

Government Criticizes U.S. 'Downplaying' of Orejuela Arrest

PA1406174695 Mexico City NOTIMEX in Spanish 2317 GMT 13 Jun 95

[FBIS Translated Excerpt] Santa Fe de Bogota, 13 Jun (NOTIMEX) — Today, the Colombian Government criticized the U.S. attitude of downplaying the significance of the arrest of Cali Cartel leader Gilberto Rodriguez Orejuela on 9 June.

After stressing the importance of the operation to arrest Rodriguez Orejuela, Colombian Government Minister Horacio Serpa said "it is absolutely incomprehensible that someone would try to downplay the action." [passage omitted]

The Colombian minister admitted Rodriguez Orejuela's arrest will not be enough to end drug trafficking, but he refuted those trying to minimize the Colombian authorities' actions in this struggle.

"What we did was no more, no less than to place under custody the individual the entire world has said was the head of the most powerful drug trafficking organization," Serpa said.

He added the government "will continue working to successfully confront the scourge" drug trafficking represents. [passage omitted]

Army Command Identifies Members of Orejuela Security Team

PA1406183895 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1642 GMT 14 Jun 95

[Report by Dario Arizmendi and Carlos Gomez]

[FBIS Translated Text] [Arizmendi] Caracol reporter Carlos Gomez is at the National Police Directorate and has the list of the military men who have been charged by the authorities of being members of Miguel Rodriguez Orejuela's security team. They were arrested a few hours ago at the country club of the America de Cali soccer team. A total of 13 men have been arrested, many of whom are military men. Carlos Gomez has the information.

[Gomez] The Army Command and police authorities have disclosed the identities of those who were arrested near El Cascajal in Cali who were members of the Cali Cartel's security body. They are: civilians Carlos Andres Zuniga Toro; Freddy Palla; Hernan Augusto Cardona Valencia; Arcadio Gutierrez Belalcazar; Martin Correa; and Luis Fernando Restrepo Carvajal; and Army Sublieutenant, retired, Juan Nino Santos; Second Corporal, retired, German Adolfo Medina Holguin;

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Second Corporal, retired, Jose Julian Galindo; Major, retired, Luis Marco Del Vasto; Second Corporal, retired, Campo Aurelio Benavides; and First Corporal, retired, Jose Eliecer Flores Grajales.

According to information provided by the military authorities, these men formed the security body of an alleged Cali Cartel leader, and they were arrested near the capital of Valle del Cauca Department. The Army also has stated these people were Army retirees, some of them for over 10 years. They are in the custody of the 3d Brigade based in Cali, and the Army inspector himself, General Rodolfo Torrado Quintero, is conducting the investigation. Torrado arrived in Cali early this morning.

Authorities Disband Orejuela Security Network, Arrest 9

PA1406183695 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 14 Jun 95

[From "The Midday Newscast"]

[FBIS Translated Text] Authorities have dealt a new and strong blow to the Cali Cartel. Authorities have disbanded a Miguel Rodriguez Orejuela security network by arresting 13 of its members. They seized one ton of cocaine and arrested nine people. Authorities have arrested Frank Hoyos, said to be the man of trust of El Alacran, and seized documents from Fanor Izabaleta of interest to police intelligence. Seven were captured for the massacre of the San Antonio Park in Medellin.

In the past 12 hours, approximately 800 men participated in the operations directed at capturing the perpetrators of the genocide. The terrorists being sought by authorities are veritable experts in explosives. By mixing materials, they transform small charges into powerful bombs.

DAS Counterintelligence Chief Found Dead

PA1406170095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1615 GMT 14 Jun 95

[FBIS Translated Text] Mardoqueo Cuellar, chief of counterintelligence at the Administrative Department of Security, DAS, was found dead in the Siberia sector, 80th Street. Cuellar left last night to sign up for the Colombo-British (?Tournament). He reported in for the last time at 2100 hours.

Ramiro Bejarano Guzman, DAS director, will provide more details of this incident later. Cuellar's body was found in the northwestern part of the capital city this morning.

[Madrid EFE in Spanish at 1538 GMT on 14 June adds in an 80- word, Santa Fe de Bogota-datelined report that: "The source stated that Cuellar's body, indicating evident signs of torture and bullet wounds, was found inside a vehicle parked along the highway near the northwestern sector of the Colombian capital."]

DAS Director on Slaying

PA1506042995 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 15 Jun 95

[Report by Marta Rojas from the "24 Hours Newscast"]

[FBIS Translated Text] Eleven men who are members of the security corps of Cali Cartel druglord Miguel Rodriguez Orejuela were arrested today. This operation was carried out by the Search Bloc thanks to the intelligence work done by Jose Maria Mardoqueo Cuellar, one of the best men of the DAS [Administrative Department of Security]. Mardoqueo Cuellar was found today tortured and murdered. This death caused pain and shock at the DAS.

Jose Maria Mardoqueo Cuellar, DAS counterintelligence head, was the right-hand man of DAS Director Ramiro Bejarano. He had been tasked with persecuting a gang of drug traffickers based in Santa Fe de Bogota. Last night after beginning his operation, he was intercepted by a couple of vehicles in the northern part of the capital. He was led through 80th Street and was shot on the road to Funza.

[Begin DAS Director Ramiro Bejarano recording] The slain official played a fundamental role in the DAS' struggle against criminal organizations and corruption. [end recording]

Mardoqueo Cuellar supplied the information that today enabled the Search Bloc to apprehend the security men of Miguel Rodriguez Orejuela. The strike dealt by the Special Joint Command in the America de Cali Stadium was made possible thanks to the information supplied by this young man, whose death has caused personal and institutional shock at the DAS.

He led investigations against the druglords of the Cali Cartel and also against internal corruption of the public administration, including the DAS. The DAS has made telephone number 277-4343 available to those wishing to provide information and announced a 30-million peso reward.

Government-Guerrillas Negotiations Said in Initial Phase

PA1406173195 Mexico City NOTIMEX in Spanish 1936 GMT 13 Jun 95

[By Enreque Mora V.]

[FBIS Translated Text] San Jose, 13 Jun (NOTIMEX) — The negotiations between the Colombian guerrillas

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and government with Costa Rica's mediation are in the initial phase of developing trust between the parties, political sources said here today.

The sources told NOTIMEX that Costa Rica is trying to establish high-level negotiations between President Samper's government and representatives of the Simon Bolivar Guerrilla Coordinating Board [CGSB], which groups three Colombian insurgent forces.

They said last Sunday's explosion in Medellin is considered a factor that could jeopardize the negotiations, in which Costa Rica is mediating, but they do not believe it could delay the negotiating process.

The sources, who asked not to be identified, said "the guerrillas' denial of being responsible for the terrorist act, which left more than 20 deaths and 200 wounded, is valid and, if proven, could save the negotiating process." They added that "the parties (guerrillas and government) agree Colombia is at the beginning of the accord to end the conflict, but there are issues that must be discussed thoroughly to consolidate peace."

They revealed that negotiations continue in different countries, particularly in Colombia, Costa Rica, and Mexico, where members of the guerrilla groups are studying the possibility of seriously negotiating a strong basis for any peace accord.

They added that on the government's side, Carlos Holmes Trujillo, commissioner for peace in Colombia, has played a relevant role and has become a strong driving force in the process that just began.

According to the reports, the three insurgent groups comprising the CGSB agree on the need to advance dialogue to attain peace in Colombia.

The main guerrilla force in the CGSB is the Revolutionary Armed Forces of Colombia (FARC), headed by legendary peasant leader Manuel Marulanda Velez, known as Tirofijo.

The other two armed groups are the Army of National Liberation, (ELN) headed by former Priest Manuel Perez, and the Popular Liberation Army (EPL), headed by Francisco Caraballo.

The (?first) negotiating contacts have been with members of these three guerrilla groups represented by Alfonso Cano of the FARC, Antonio Garcia of the ELN, and Francisco Caraballo of the EPL, the sources informed NOTIMEX.

"The initial points of the negotiations should include, first of all, the humanization of the conflict, in accordance with humanitarian laws," the sources noted. In addition, another basic area in the negotiations will cover issues pertaining to the country's internal political process, "which the guerrillas have always questioned."

Although official circles are confident the dialogue will begin soon, the sources abstained from predicting the date of the first meeting.

Attorney General on Charges, Investigation

PA1506035095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 14 Jun 95

[Telephone interview with Colombian Attorney General Orlando Vasquez Velasquez by anchorman Dario Arizmendi and an unidentified reporter in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Attorney General Orlando Vasquez Velasquez, what is your reaction to the decision by the Prosecutor General's Office to send copies to the Supreme Court of Justice of a file that states you reportedly received benefits from the Cali Cartel on several occasions when you stayed at the Intercontinental Hotel in that city?

[Vasquez] Good morning, Dario. At least I will have the opportunity to know about the charges. I have only heard about them through the media until now, but I repeat what I told the prosecutor general: if I had known about this, I would have acted when the case was still at the Prosecutor General's Office and I would have clearly and honestly cleared any possible charges. Now the case is at the Supreme Court of Justice's Criminal Appeals Division; I will have an opportunity in this phase of the preliminary investigation, because there is still no legal process. I will be able to at least read the charges, read the file, and see if payments were actually made by an organization that has ties with drug-trafficking groups. I had no idea whatsoever about this situation. I have always said that I have been in Cali so many times while fulfilling my academic duties. I have traveled throughout the nation. Nevertheles, I repeat, now I will have an opportunity.

[Arizmendi] Do you believe your rights have been violated by the Prosecutor General's Office?

[Vasquez] This is a situation that no longer pertains to the attorney general when he was a senator of the Republic, but in general, also pertains to the procedures that are being implemented. They are not correct, not at all, for our legal state. Instead of achieving progress in the defense of human rights — which include the right to privacy, the right to one's honor, and the right to a private life — they are being flagrantly violated and this may cause irreparable damage. The idea of considering a person guilty until proven innocent — or,

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as we commonly say, shoot first and ask questions later — is being applied.

[Arizmendi] Mr. Attorney General, you have not considered the possibility of requesting temporary leave to handle the legal dispute you will have to face with the Supreme Court of Justice, so this does not affect the normal exercise of your functions?

[Vasquez] Dario, the court has yet to begin a legal process. It is currently involved in a preliminary investigation, a phase of preliminary procedures, and — I repeat — I hope I will have the opportunity not only to learn about the charges but also to answer them. Obviously, I will act according to the legal ruling issued by the Supreme Court of Justice, but you must understand that if no ruling has been issued in a legal process.... [pauses] the Prosecutor General's Office has not even made an assessment. The Prosecutor General's Office has simply sent the case to court for one simple reason.

[Arizmendi] But the Prosecutor General's Office cannot make an assessment, Mr. Attorney General. Since this is not within its jurisdiction, its duty is to send the documents to the Supreme Court of Justice, which does have the jurisdiction.

[Vasquez] Exactly. The Supreme Court of Justice is the only court fit to handle the preliminary investigation and the proceedings, as well as the trial, given the parliamentary members' immunity. Therefore, we are now waiting for the opportunity to resolve the situation and provide the explanations that the country demands.

[Arizmendi] Mr. Attorney General, what will be your attitude if you fail to give the proper explanations and the Supreme Court of Justice finds that there is sufficient evidence to send you to trial?

[Vasquez] We will act accordingly.

[Arizmendi] Mr. Attorney General, there is talk about a clash between the Attorney General's Office and the Prosecutor General's Office. Is this true? For example, it is reported that public prosecutors in charge of Case 8000 sent the prosecutor general a letter reporting that pressure was being exerted by members of the Attorney General's Office. What can you say about this?

[Vasquez] That is not true. In fact, I held a meeting with the prosecutor general and the assistant prosecutor general two nights ago to clear the situation. There is absolutely no conflict between the two offices, but you must understand that, given the Attorney General's Office authority and the supervision of all the legal processes, this is done regularly and it has been done. The thing is that certain processes have been handled confidentially, perhaps in a selective manner and that has resulted in this situation. However, I repeat, I have requested a report from the delegate attorney general and it is in that report that he explained the situation to the prosecutor general. He explained, in four or five pages, his authority — by virtue of the political constitution — to intervene and grant sufficient guarantees to people who are subject to a legal process.

[Arizmendi] Mr. Attorney General, does this mean someone tried to leave the Attorney General's Office out of the process although it is part of the process?

[Vasquez] I have left the matter in the hands of the person who has the power to handle this, meaning the delegate attorney general. I think the issue has been settled; it is quite clear. The Attorney General's Office must intervene — by mandate and by constitutional and legal duty — in all the processes. I believe the issue is clear enough.

[Reporter] Dr. Orlando Vasquez, from the legal viewpoint, you are right. Have you thought that, from the ethical viewpoint, it would be advisable for the attorney general, who has a very important duty concerning the public [words indistinct], to temporarily separate himself from the exercise of his post to face the situation? Let us remember a similar case. Doctor Yolima Espinoza, who left the Liberal Party directorate so that she could face the same situation you face.

[Vasquez] Yes. However, Dr. Yolima Espinoza did not leave the Chamber of Representatives, where she was appointed by the people's vote. For ethical reasons, we are reasserting our position here. We must at least know the charges; we still do not know what they are 10 days after the media reported the situation. The case has been sent to the court and we have not been given an opportunity even though we requested it many times. That is why I said a while ago that we will act depending on the legal decision adopted by the Criminal Appeals Division in the first phase of this case.

Attorney Gen Under Investigation for Alleged Cartel Ties

PA1406164195 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 14 Jun 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Attorney General Orlando Vasquez Velasquez is indeed implicated, in principle, in the famous 8,000 Process, which is probing politicians' alleged ties with the Cali Cartel.

On 9 June, the Attorney General's Office sent the documents bearing the name of the attorney general to the

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Supreme Court of Justice. It will be up to the court to decide whether there is merit to begin a criminal investigation against the high-ranking official. The Supreme Court of Justice will also examine documents implicating former Legislator Ramiro Lucio.

The Supreme Court of Justice will decide whether there is merit to open a criminal investigation against Attorney General Orlando Vasquez Velasquez for the alleged offense of illegal enrichment. The name and identification number of the attorney general appears on one of the documents—tabs of the Intercontinental Hotel in Cali that were paid by brothers Miguel and Gilberto Rodriguez Orejuela— confiscated by the Search Bloc. The tabs date back to 1993 when Vasquez Velasquez served as senator of the Republic; thus, the Criminal Branch of the Supreme Court of Justice must investigate him.

Prosecutors also have forwarded to the Supreme Court documents implicating former Representative Ramiro Lucio, who has represented the M-19 [19 April Movement], in similar events. It was learned that during this week, the Prosecutor General's Office will continue to forward to the highest court of law documents implicating other congressmen in similar incidents, including (Francisco Bose Jate).

Eduardo Mestre's Testimony Examined

95CA0249A Santa Fe de Bogota SEMANA in Spanish 23 May 95 pp 22-25

[Article: "Mestre's Defense"]

[Text] *SEMANA reveals in detail the arguments used by former Senator Eduardo Mestre to defend himself against the accusations leveled at him by the Office of the Prosecutor General.*

Over a month has passed since agents from the Office of the Prosecutor General and the Police arrived a little after midnight at the residence of the former senator, former ambassador, and former member of the Liberal leadership Eduardo Mestre Sarmiento, arrested him and put him behind bars, executing an arrest warrant that does not allow his release. This has been one of the most dramatic chapters to date in the scandal over the financing of political campaigns by companies linked with the Cali cartel. It is far from the final chapter, however. In the course of statements which Mestre, accompanied by his attorneys, has made before an anonymous prosecutor, a new chapter is being written: that of the legal battle.

SEMANA spent several days in consultations with the Office of the Prosecutor General, law enforcement agencies and attorneys for the Liberal leader in its effort to reconstruct the details of this struggle. It is a struggle whose outcome will determine, not only the fate of the former senator, but also, and to a large extent, that of all the proceedings initiated concerning the apparently improper financing of the last election campaign. In order to further the understanding of its readers, SEMANA is presenting one by one the main accusations leveled against Mestre and the essential arguments of his defense.

Accusation: Guillermo Pallomari, the alleged financial chief of the Rodriguez Orejuela brothers, told the Office of the Prosecutor General in a statement last year that he paid Eduardo Mestre a monthly installment of 5 million pesos through the company known as the Distribuidora Agricola La Loma. He added that before the checks were turned over to Mestre, they were approved by Miguel Rodriguez Orejuela.

Defense: Mestre told an anonymous prosecutor that he met Guillermo Pallomari on a trip to Cali, but did not recall whether it was at the end of 1993 or the beginning of 1994. According to his statement, Congressman Armando Holguin introduced him to Pallomari at a meeting held at Holguin's political headquarters in Cali. Mestre said he had no friendship of any kind with Pallomari and that he had talked with him only on the day that he met him. Mestre also told the Office of the Prosecutor General that Pallomari lied when he said the Cali cartel paid him 5 million pesos a month through the Distribuidora Agricola La Loma. Mestre said in his statement that he had never performed any service for the company in which Miguel Rodriguez Orejuela is a senior partner.

Accusation: Documents seized by the Cali Joint Task Force indicate that Mestre received several checks for 5 million pesos each, checks that appear to be monthly payments made by Omar Perez, legal representative of the Distribuidora Agricola La Loma in which Miguel Rodriguez is a senior partner.

Defense: Mestre told the Office of the Prosecutor General that he met Omar Perez in late 1993 or early 1994—he does not remember which—when the latter came to his apartment in northern Bogota, attracted by the possibility of a good real estate deal, the former senator claims. Mestre had served in Geneva, Switzerland, as Colombia's ambassador to the United Nations at its European headquarters. During that period of time and until he returned home in September 1993, Mestre had tried unsuccessfully to sell the property located at 86-45 on Road 10. According to Mestre's testimony, despite three successive meetings at his apartment in Bogota and numerous telephone calls from the Valley capital, a bargaining process that extended over a 7-month period, he and Perez were never able to

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reach any agreement on the apartment. They did make a deal on household goods, however. Mestre claims that the initial transaction involved Perez' purchase of three Persian rugs, measuring 6 meters square each, that the former senator had obtained years before in Tehran (Iran) for 15 million pesos. To document his claim, Mestre gave the Office of the Prosecutor General the receipt for the three rugs and the entry documents accompanying his household furnishings when he completed his tour of duty in Switzerland, documents listing the three rugs. According to his statement, one Orfa Castellanos was to deliver the rugs to a person sent by Perez. The other items Mestre claims Perez purchased were two paintings: an oil by a French painter, a port scene, for 15 million; and the portrait of a little girl by Colombian painter Enrique Grau, for 20 or 25 million. Mestre says the two paintings were turned over to another of Perez' messengers by William Gallo Manrique. Mestre said in his statement that he provided no receipt or any other written document concerning the sale of the items to Perez. Mestre told the anonymous prosecutor that the first meeting with Perez for the purpose of seeing the apartment was agreed upon after the latter telephoned him to ask whether it was still for sale. Mestre claims that Perez told him during that initial conversation that he lived in Cali and was a businessman. Mestre also claims that the checks Perez used to pay him for the transaction bore the seal of an agricultural company, but that he could not recall whether it was the Distribuidora Agricola La Loma. Mestre added that Perez delivered some checks personally, but that others were deposited in his account in the Agrarian Credit Bank as a government deposit.

Accusation: According to documents found at the Intercontinental Hotel, Eduardo Mestre and Alberto Giraldo stayed at the hotel on the same weekend and their bills for accommodations and expenses were paid by Inversiones Ara, a company in which Miguel Rodriguez is a senior partner.

Defense: In his lengthy statement before the anonymous prosecutor and accompanied by his attorney, Mestre said he met the journalist Alberto Giraldo, now a fugitive from justice, in 1976, when he entered the nation's Senate, to which he had been elected two years before as an alternate. He said he had had countless opportunities to speak with him, but made it clear that the relationship between them was a normal one between a journalist and a politician. Mestre admitted that he had stayed at Cali's Intercontinental Hotel on 8 June 1994 at the same time as Giraldo, but said they had not traveled together from Bogota. He also admitted that they ate at the hotel's restaurant and had a few drinks together, but Mestre was surprised when the anonymous prosecutor brought up the existence of two documents seized by the Cali Joint Task Force. The first, No. 0013824, from the Inversiones Ara, in which Miguel Rodriguez Orejuela is a senior partner, lists a number of expenses incurred by Mestre and Giraldo. The second is a reservation properly filled out in a special format showing that Inversiones Ara authorized the politician's stay in Room 219. Mestre said he had no idea what Inversiones Ara was and told the faceless prosecutor that throughout his public life, his hotel bills had on many occasions been paid by various regional organizations with which he was not even familiar. He said the hotel receptionist simply informed him that the bill had already been paid. He added that Giraldo was the kind of person who, no matter where he saw him, said not to worry about the bills because he would pay them. Even though they were at the hotel that same weekend in June of last year, Mestre said in his statement that he did not know why Giraldo was in Cali and claimed the reasons were not the same ones that had taken him to the capital of the Cauca Valley. Mestre added that Giraldo was a Conservative, while he was a Liberal.

Accusation: Other documents show that Eduardo Mestre's name was included on a list of alleged payments to various well-known persons. The Cali Joint Task Force discovered a sheet of paper in a search targeting Julian Murcillo, manager of the Exposal Company, a senior partner in Litofarallones Ltd., and said to be an adviser to the Rodriguez Orejuelas.

Defense: Mestre told the Office of the Prosecutor General that Murcillo is an economist who, in the last two years of the 1980's and, more recently, when the former senator returned from the embassy in September 1993, visited him to request his cooperation in introducing him to persons interested in joining a company involved in urban garbage collection and waste disposal. Mestre's account claims that Murcillo was the purchaser of a number of street cleaning trucks manufactured by Construcciones Metalicas of Bucaramanga. In his statement, Mestre told the Office of the Prosecutor General that he received no payment from Murcillo and added that he did not know whether the latter had any connections with Miguel and Gilberto Rodriguez Orejuela. Mestre emphatically denied that Murcillo or anyone else from the Cali cartel had sent him flowers on 8 August 1992, as shown on a bill which the Joint Task Force found listing the names of Mestre and other very prominent persons in the country. To justify his argument against this charge in particular, Mestre gave the Office of the Prosecutor General receipt No. 57867 from Danzas Voyages, Inc., located on Rue Mont Blanc in the city of Geneva. The receipt shows that on 8 August, he and his wife purchased two round-trip airplane tickets on the

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Geneva-Vienna-Prague-Budapest route for the purpose of visiting the Colombian ambassador to Austria, Alfonso Gomez Mendez. According to Mestre, he stayed at Gomez' residence in Vienna for three days.

Accusation: The Office of the Prosecutor General questioned Mestre about the possibility that he had been an adviser to brothers Miguel and Gilberto Rodriguez Orejuela.

Defense: Mestre claims he met Miguel Rodriguez between 1978 and 1980 at a meeting hosted by the Banco de los Trabajadores in Bogota. Several subsequent meetings were held to organize social activities being promoted by that lending institution. Mestre and Miguel Rodriguez saw each other once again in 1984, when Gilberto Rodriguez was arrested in Madrid and was about to be extradited to the United States. According to Mestre, in order to embark upon the legal defense of his brother, Miguel Rodriguez moved his place of residence to Bogota's Tequendama Hotel and during that period of time, they met on at least two occasions. In his statement, Mestre asserted that he heard nothing further from the Rodriguez brothers until the first half of 1994, when attorney Bernardo Gonzalez sought him out at his office in Bogota and told him that the main heads of the Cali cartel had begun surrendering to the courts. The Rodriguez brothers' legal counsel asked Mestre to tell what he knew about the cooperation the government had received from the Cali cartel in eliminating Pablo Escobar Gaviria. Mestre maintained that he had no chance to respond, learning shortly thereafter that the surrender had failed. He also stated that on that occasion, he did not meet with the Rodriguez brothers, but only their representative. Mestre said his relationship with Gilberto dated from 1978, when he was a client of the Banco de los Trabajadores. In his statement to the Office of the Prosecutor General, Mestre detailed how that credit institution, then headed by Rodriguez, had loaned him 10 million pesos. In the end, Mestre repeated that he had never received fees, salaries or any recognition from the "front" companies created by the Rodriguez Orejuelas. He also categorically denied having been an adviser to the alleged chiefs of the Cali cartel.

Accusation: The Office of the Prosecutor General has elements leading it to believe that Mestre got rich by illicit means throughout all those years.

Defense: At the conclusion of the inquiry, which lasted three days, Mestre declared himself innocent of the crime of illegal enrichment and stated his willingness to testify for all his past actions. He presented a statement of his income, expenditures, assets and liabilities which the Office of Prosecutor General is attempting to verify (see table below).

Eduardo Mestre's Accounts

Monthly Income

Retirement from Congress	4,800,000 pesos
Consultant's Fees:	
SWEDTEL (representative in Colombia)	US$1,000
OTECEL, Inc. (representative in Colombia)	US$1,800
Atunera	US$1,500
W.P.S. of Colombia, Inc. (manager)	2,000,000 pesos
Babcock Wilcox Espanola Telia Internacional A.B. (representative in Colombia) (annual since 1995)	US$50,000

Monthly Expenditures

Owing on apartment and loan from the Banco de Occidente de Bucaramanga	3,330,000 pesos
Household expenditures (food, children's education, etc.)	4,000,000 pesos
Upkeep on offices in Bogota and Bucaramanga	2,000,000 pesos

- CREDIT CARDS:
- Banco de Colombia
- Banco de Occidente
- Banco de Bogota
- Citibank
- Banco Ganadero
- BIC [Colombian Industrial Bank)
- Invercredito
- Caja Agraria
- Eurocard
- American Express

- REGULAR ACCOUNTS:
- Caja Agraria
- Banco de Occidente (Bucaramanga)
- Citibank (Bogota)
- Banco de Colombia (Bucaramanga)

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Apartment	300,000,000 pesos
Automobile	24,000,000 pesos
Stock	70,000,000 pesos

Liabilities	
Miscellaneous	100,000,000 pesos

Peru

Congress Approves General Amnesty Law After Long Debate

PY1506034295 Lima America Television Network in Spanish 0100 GMT 15 Jun 95

[Passages within quotation marks are reporter's comments]

[FBIS Translated Text] Congress approved a general amnesty law after a long debate that concluded early this morning. The amnesty law benefits military men, policemen, and civilians who were involved in common and military crimes and whose cases were tried in military courts.

[Begin recording] [Unidentified reporter] The Congress plenum approved the amnesty law after a three-hour debate with 47 votes in favor and 11 against. The text of the first three articles of the law, which will go into effect the day after its publication in the official gazette EL PERUANO, states:

Article 1. General amnesty is hereby granted to military, police, or civilian personnel, whatever their military, police, or administrative situation, who have been accused of or investigated, indicted, tried, or sentenced for common or military crimes in the regular or military courts respectively for events derived from or that originated in the struggle against terrorism, and which could have been committed individually or in groups, from 1980 until the date of the promulgation of this law.

"This article benefits, among others, those responsible for the murder of the La Cantuta university students."

Article 2. General amnesty is hereby granted to active duty, unassigned active duty, or retired military personnel and civilians who were involved in or tried or sentenced for the 13 November 1992 event [coup attempt against government of President Fujimori].

"This article favors, among others, General Jaime Salinas Sedo."

Article 3. General amnesty is hereby granted to active duty, unassigned active duty, or retired military personnel who have been charged with or tried or sentenced for the crime of disloyalty, or for offending the nation and the Armed Forces, in the recent conflict in the norther border region.

"This article benefits retired General Carlos Mauricio." [end recording]

President Fujimori Criticizes TV Report on Shining Path

PY1406142695 Lima America Television Network in Spanish 0100 GMT 14 Jun 95

[FBIS Translated Text] In Lucanas Province, Ayacucho Department, today President Alberto Fujimori harshly criticized the report this television station presented last night on Comrade Feliciano. This is what he said:

[Begin recording] [Unidentified reporter] Mr. President, you made a very harsh criticism of the America Television report aired last night. Is that right?

[Fujimori] That is right, because the report affected the entire image of Ayacucho, which is now experiencing a process of pacification that, while still incomplete, has encouraged the return of tourism.

[Reporter] Do you believe the report on Feliciano should have been given to the Armed Forces first? Do you feel it is so valuable?

[Fujimori] Look, even with the full exercise of freedom of the press, even allowing for such freedoms, I believe that if the information was true, it should have been reported to the Armed Forces. Most probably, the Armed Forces already have the information, not as it was reported in your program, but with all the follow-up material on the case. This should have been coordinated with the Armed Forces because the enemy of everyone, the enemy of the president, of the people of Ayacucho, is what is left of the Shining Path.

[Reporter] But the criticisms were very harsh. Could this be interpreted as a restriction on freedom of expression, freedom of the press?

[Fujimori] You should look at it as the full exercise of freedom of expression of the president and also as the full exercise of freedom of the press. Complete freedom.

[Reporter] Is freedom of the press then guaranteed in our country?

[Fujimori] For everyone within his own framework. The media has full freedom of the press. In my case as president, as I am very much committed to the interests of the mountain people, I have to defend the people of

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Ayacucho in view of information that hurt tourism and the improvement of their situation. [end recording]

This news program did not intend to hurt the image of the country with the report aired last night. The report was the result of a serious investigation made by reporters of this television station. Although the report does not show the positive aspects of the pacification, an achievement that cannot be denied, it does have truthful information on the activities of the Shining Path near Huanta, very far from the urban zone, where public peace and tranquillity are fully guaranteed. This news program will deliver to the appropriate authorities all the investigative material compiled by our press team that went to Ayacucho because, as President Fujimori said, the common enemy is the Shining Path. We will also have a report showing the positive aspects of Ayacucho, such as the pacification, the beauty of its churches, and many other aspects.

Venezuela

Finance Minister Denies Plans for Multiple Exchange Rate

PA1306173995 Caracas Venezolana de Television Network in Spanish 0200 GMT 13 Jun 95

[Report by Pedro Prado from "The News" newscast]

[FBIS Translated Text] The possibility of instituting a new Recadi [National Preferential Exchange Office] — one that would ostensibly be resurrected through a multiple exchange rate for the U.S. dollar — has stirred emotions and alarmed various sectors, forcing the government to react immediately.

The theory of a multiple exchange rate is nothing more than shadow boxing; this was the description used by Finance Minister Luis Raul Matos Azocar to deny that the government plans to approve multiple exchange rates between 180 and 220 bolivares to the dollar. He said the upcoming Council of Ministers meeting will review the new exchange system regulations that call for a comprehensive exchange system with a single exchange rate and greater procedural flexibility. Matos Azocar claimed that talk of multiple exchange rates, currency devaluations, and unclear rules does nothing more than turn the entire issue into an economic soap opera.

[Begin Matos recording] What is true and definite is that we are not planning a multiple exchange rate but, rather, a comprehensive exchange rate with more flexible procedures. We have already agreed on this with certain business sectors under the terms of the Anti-Inflation Pact. [end recording]

As he had previously said, Matos Azocar reiterated that he disagrees with the establishment of the so-called conversion bank.

Comments Further

PA1306235295 Caracas Venezolana de Television Network in Spanish 1550 GMT 13 Jun 95

[From "The News" newscast]

[FBIS Translated Text] A multiple exchange rate system is not under consideration, but a constant, permanent and more flexible, albeit closely monitored, exchange rate from the bolivar to the dollar is being discussed. Finance Minister Luis Raul Matos Azocar thus countered interest expressed by national economic groups in a release of the current exchange rate of 170 bolivares to the dollar.

The finance minister also explained that a single exchange rate system is in effect and cannot be subject to a public debate given the economic effects it would entail. He added, however, that the government will monitor the country's situation to implement this economic policy instrument.

[Begin Matos recording] The implementation of a multiple exchange rate is not being considered; only an overall rate with more flexible procedures that we have agreed upon with some business groups within the so-called anti-inflation pact. [end recording]

The system calls for an improvement of exporters' current situation because a special concession is made for payment of the private foreign debt. The rules of the game will be taken into consideration and must be followed by foreign investors in Venezuela.

[Begin Matos recording] The chapter on the guidelines for foreign investments defines facilities for a free flow of all payments of dividends and profits, one of the elements that caused the most problems in the past. [end recording]

The foreign currency bill will be subject to evaluation by the Council of Ministers on Wednesday [14 June].

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